DUNEDIN CITY COUNCIL | kaunihera a-rohe o Ōtepoti

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| **Date:** | **Thursday 29 October 2026** |
| **Time:** | **9:00 a.m.** |
| **Venue:** | **Council Chamber, Dunedin Public Art Gallery, the Octagon, Dunedin** |

# Council

# OPEN ATTACHMENTS

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DUNEDIN CITY HOLDINGS LIMITED

# Annual Report 2026

DUNEDIN CITY HOLDINGS LIMITED

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DUNEDIN CITY HOLDINGS LIMITED

# Chair and General Manager's review

The year was characterised by a steady improvement in financial performance, continued investment in critical infrastructure, and a renewed focus on the future of Council's investment portfolio. Together, these developments have strengthened the platform from which Dunedin City Holdings Limited (DCHL) can deliver long-term value and sustainable returns for the people of Dunedin.

**As well as overseeing solid operational and financial performance, DCHL has been active in developing strategy for the future of the portfolio. During the year, DCHL completed a comprehensive review of Dunedin City Council's investment portfolio and developed a new Investment Framework. The review considered the Council's major commercial investments, including its trading companies, the Waipori Fund and investment property holdings, and concluded that these assets should be viewed and governed as one portfolio. This approach will provide a clearer understanding of the Council's overall investment position, will enable decisions to be made with a portfolio-wide view of risk and return, and will strengthen accountability for investment performance.**

The Investment Framework establishes a clear platform for the future management of the portfolio. It confirms two core objectives: to protect the real value of capital for future generations and to provide strong, consistent and sustainable distributions to Council. Under the framework, DCHL will act as Council's trusted investment portfolio manager, overseeing the portfolio as a whole and reporting on its performance against these objectives. The framework supports a long-term approach focused on improving diversification, managing risk, increasing liquidity and optimising returns, while providing higher and more reliable income to help fund Council services and infrastructure. In doing so, it strengthens the governance of Council's investments and helps ensure they deliver the right outcomes for the people of Dunedin.

The 2025/26 year represents a step in the right direction, as the DCHL group delivered a fourth consecutive increase in earnings, with net profit before tax of $32.8m for the 2025/26 year. In line with its targets, DCHL distributed $14.9m to Council, as well as an additional investment of $1m into Dunedin Railways to fund track renewals.

## Adapting to the future

Whilst DCHL is responding strategically to the Council's desire for higher cash returns, the current portfolio is weighted towards capital-intensive infrastructure, which comes with a responsibility to invest for the future. Aurora Energy is Council's largest single investment. The regulated electricity distribution business – one of the largest in New Zealand with more than 200,000 local customers – reported net profit before tax of $48.6m, representing continued growth in earnings, following a sustained period of reinvestment in the business.

Behind the financial headlines of what is now a high-performing business, is a decade-long commitment by the Aurora team and leadership to transform the business. This year marks the completion of Aurora's Customised Price-Quality Path (CPP). The 5-year CPP enabled Aurora to deliver required investment in the network, spending $560m over that period to not only bring the infrastructure up to standard but also provide a platform for continued investment to meet the strong demand anticipated across the network, in particular in Queenstown and the Upper Clutha.

Electrification and the development of renewable energy infrastructure underpin New Zealand's ability to decarbonise. It also helps meet the demands of emerging local industries

and technologies. That requires leadership and a vision for the future of our region, which is a growing part of Aurora's role in a sector that is rapidly evolving. The operation is increasingly adopting technology and smart solutions to optimise the network's operation.

Also investing in the future, this year Dunedin Airport allocated $24m to infrastructure to support the long-term growth of the business. This included the renewal of its runway – over four kilometres of what it describes as one of the most important 'main streets' in the region, as well as investments in strategic land acquisition and water infrastructure.

Despite a challenging period for the world's aviation industry, Dunedin Airport performed well in the 2025/26 year. It reported an increase in revenue due to higher aeronautical charges and commercial revenue growth, with DCHL's 50% share of the company's net profit after tax, $0.8m.

The airport also marked a full year of the Dunedin-Gold Coast direct service, which carried over 45,000 passengers. The success of the trans-Tasman service was underpinned by strong partnership between the airport and the local tourism industry, with a number of joint initiatives aimed at boosting visitation across the region and supporting Otago's tourism sector.

### Resilient response

Many local residents will recall the extraordinary wind event which tore through the region in October 2025. While the response and clean up brought out the best in our community – including the Delta team, who rallied to help with downed trees and blocked roads – the economic impact of the event was far-reaching.

For City Forests – our second largest investment – the storm damaged around 4% of the productive forest estate and increased the cost and complexity of harvesting and supply chain operations. Combined with challenging market conditions, including high fuel and shipping costs and flat log prices, the storm contributed to a before tax loss of $3.2m this year, compared with a budgeted profit of $8.0m. The result reflects a reduction in the annual forestry valuation, driven by damage to the forests' productive value, along with cost inflation and a subdued market outlook.

While the impacts of the storm and global tensions driving up costs are outside the control of the business, what has emerged from the event is an organisation that has shown remarkable resilience. This was particularly highlighted by City Forest's rapid response to the event, accelerating production to prioritise recovery of damaged trees before decay and further value loss, and a strong focus on health and safety throughout the process.

Delta provided invaluable services to the community during the storm event, which underscored the organisation's role in making a range of local resources, such as playgrounds, parks and event spaces, safe and accessible. The company also performed well in challenging market conditions. A focus on operational efficiency and managing costs saw Delta deliver a net profit before tax of $6.8m, a significant improvement on the prior year.

### Economic and community impact

The DCHL group also includes investments that operate commercially but provide other benefits to the community – from supporting the visitor economy, to providing the opportunity for local people to participate in unique events and entertainment.

Over the year, more than 44,000 people attended 39 community events at Dunedin Venues. This included a number of high-profile festivals, concerts and interactive displays which showcased the versatility of Forsyth Barr stadium and the Dunedin Centre.

The continued rebuild of Dunedin Railways' business was also welcomed by locals and visitors alike. Passenger numbers exceeded expectations over the summer, with demand growing by more than a quarter, while the organisation continues to build capability as a customer-focused, rail tourism business.

The company is also developing strong asset and risk management practices as it seeks to provide value for money in its delivery of the long-term track maintenance plan for the Taieri Gorge Line, which includes a number of bridges and tunnels. The plan did not meet its $2m investment target this year, but this is expected to lift in the next year.

### Solid performance and a platform for the future

The 2025/26 year leaves DCHL well positioned for the future. Performance across the portfolio continued to improve, significant investment continued in infrastructure that underpins regional growth, and Council endorsed a new Investment Framework to guide future decision-making. That framework recognises the importance of managing Council's investments as one portfolio and provides a pathway towards stronger, more sustainable cash returns, while maintaining the long-term value of assets held on behalf of the people of Dunedin.

Tim Loan
*Chair*

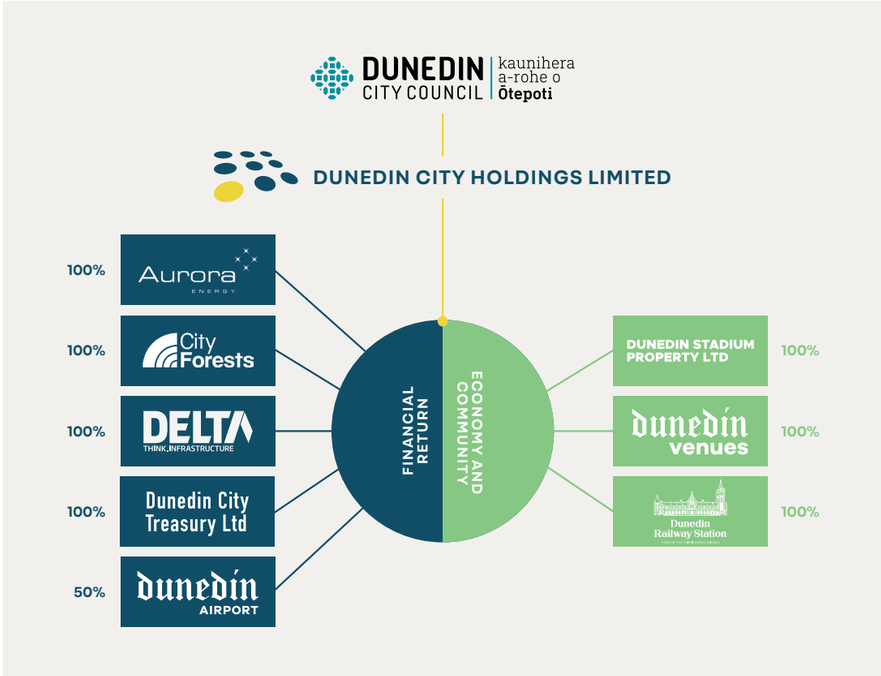
Peter Hocking
*General Manager*



# Who we are

**Dunedin City Holdings Limited (DCHL) is wholly owned by Dunedin City Council (DCC) and is responsible for governing the Council's investments in a diverse group of companies.**

DCHL oversees eight subsidiary and associate company investments that provide financial, strategic, economic, community or other benefits to the city. DCHL's portfolio comprises 100% shareholdings in Aurora Energy Ltd, City Forests Ltd, Delta Utility Services Ltd, Dunedin City Treasury Ltd , Dunedin Railways Ltd, Dunedin Stadium Property Ltd and Dunedin Venues Management Ltd. It also owns 50% of Dunedin International Airport Ltd.




## Our portfolio

**Abbreviations**

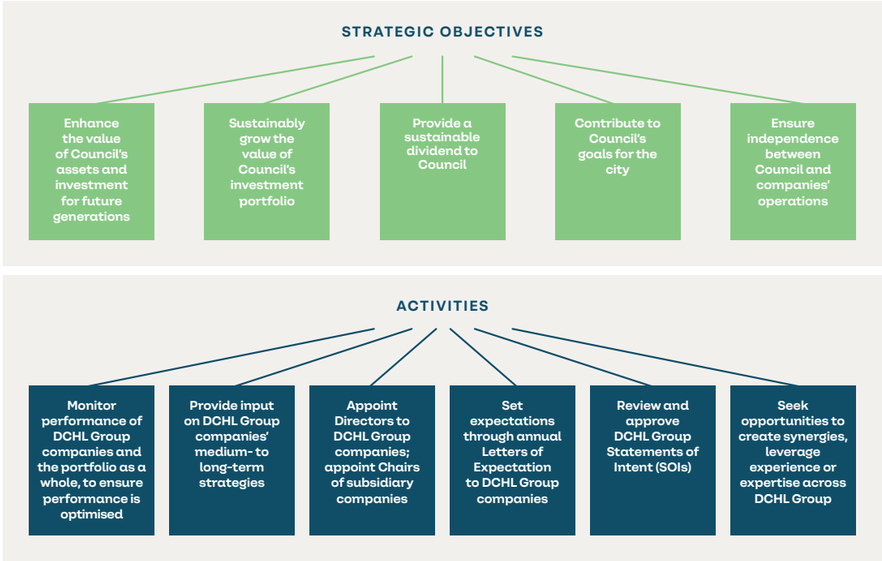
Dunedin City Holdings Limited *(DCHL)*
Aurora Energy Limited *(Aurora Energy)*
City Forests Limited *(City Forests)*
Delta Utility Services Limited *(Delta)*
Dunedin International Airport Limited *(DIAL)*
Dunedin Stadium Property Limited *(DSPL)*
Dunedin Venues Management Limited *(DVML)*
Dunedin Railways Limited *(DRL)*
Dunedin City Treasury Limited *(DCTL)*

DUNEDIN CITY HOLDINGS LIMITED

# What we do

**DCHL's purpose is to achieve the best for Dunedin from its investments, while ensuring the Group operates in an environmentally and socially responsible way. This purpose is supported by the strategic objectives and activities in the company's strategic framework.**

### To achieve the best for Dunedin from its investments




DCHL is responsible for setting the strategic direction of DCC's companies as a group, monitoring their operational performance, appointing directors to their boards, providing input to annual planning documents and approving significant transactions.

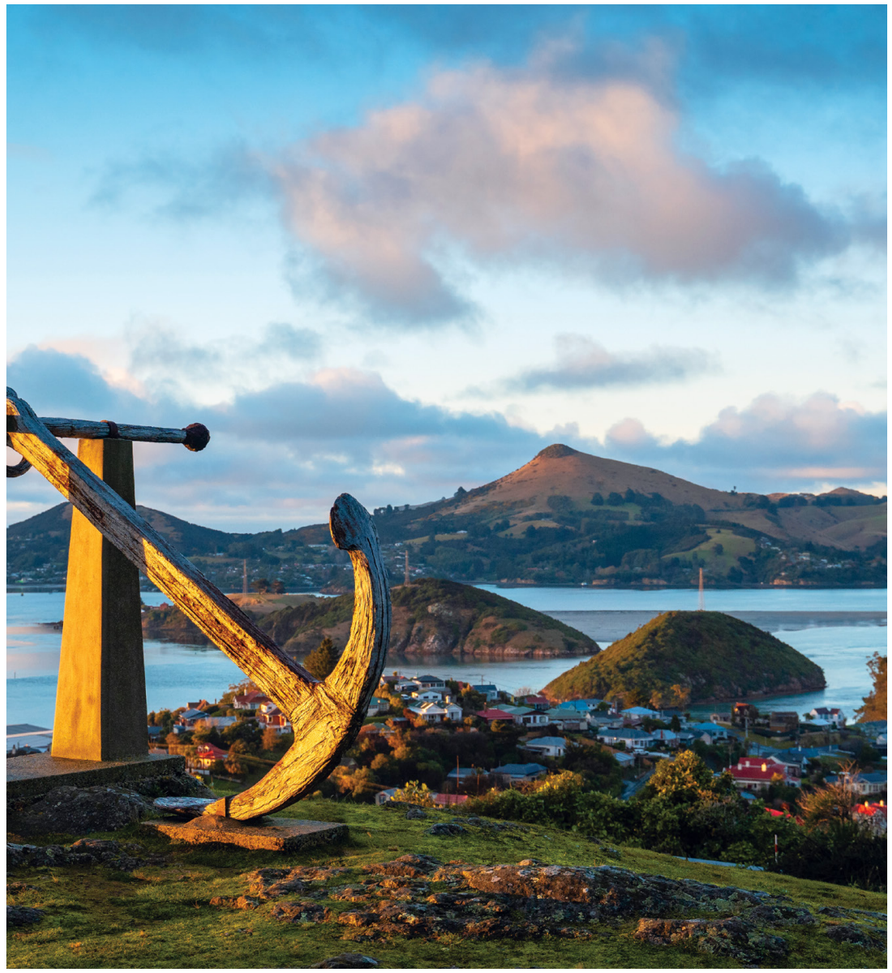
DCHL contributes to the Dunedin City Council's strategic framework and the achievement of the city's objectives.

The organisation is committed to developing meaningful relationships with mana whenua that go beyond consultation and support a more collaborative approach which reflects a greater understanding of mana whenua interests.

The DCHL Group works to reduce emissions and, alongside DCC, explores and reports on potential contributions to Dunedin's citywide emissions reduction goals.

DCHL also promotes and administers the Graham Crombie Intern Director Programme. The programme aims to develop governance capability in Dunedin and build the city's pool of emerging directors, offering emerging directors the opportunity to gain experience and insight into governance by working alongside an experienced commercial board.





# Our governance approach

**DCHL is governed by a board of independent directors appointed by Dunedin City Council. The DCHL board operates in accordance with accepted best practice. Directors meet regularly to provide leadership and oversight to DCHL's affairs.**

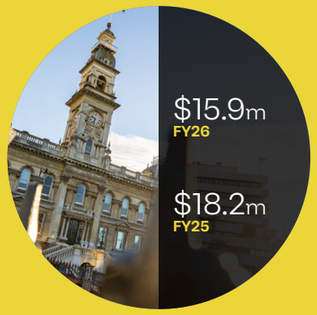
DCHL holds responsibility for appointing directors to the boards of subsidiary companies. DCHL is also responsible for appointing two of the four directors of Dunedin International Airport Ltd. With the approval of the Council, DCHL directors are also appointed to the board of Dunedin City Treasury Limited and, pending planned governance changes in the 2027 financial year, to the boards of Dunedin Stadium Property Limited and Dunedin Railways Limited.

# Performance

## Financial performance

**Net profit after tax**

**Distributions to DCC** (and on behalf of DCC)



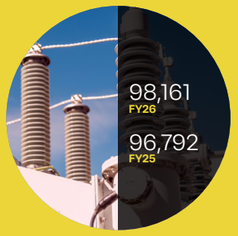

## Investment

**Aurora Energy's capital investment**

**Dunedin Airport's capital investment**

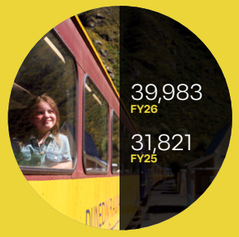
## Customer

**Aurora Energy total customer connections** (cumulative)




**Dunedin Airport passenger numbers**

**Dunedin Railways passenger numbers**



# Financial focus

**DCHL's adjusted net profit after tax increased for the fourth consecutive year, continuing a steady improvement in earnings performance (Chart 1). The 2021 result remains an outlier due to a significant fair value uplift in the forestry estate. Excluding this one-off effect, earnings have trended upward over recent years.**

Cash distributions to Dunedin City Council have also increased over the past four years (Chart 2). Much of this increase has been supported by higher dividends from City Forests, which has converted balance sheet value growth into cash returns for its shareholder. Aurora Energy, the group's largest investment, has been unable to pay a dividend since 2017.

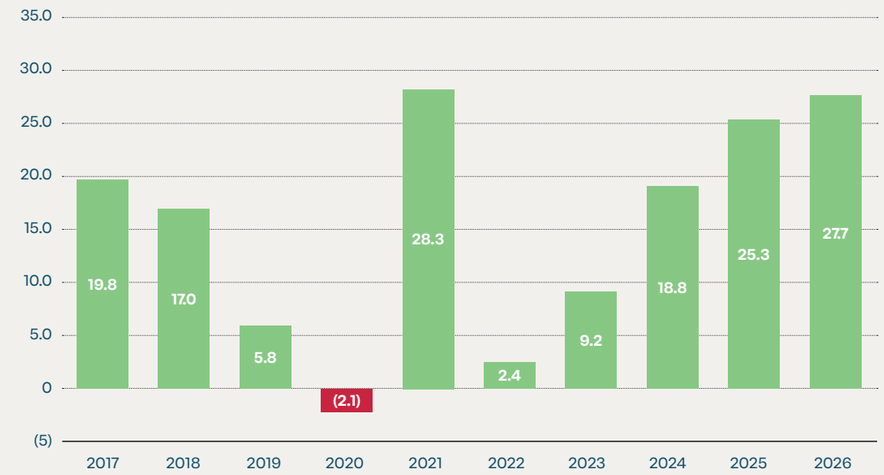
Council has been clear in its desire for higher cash returns from its investments. While DCHL's commercial businesses have generated reasonable growth in value, the portfolio's composition creates challenges in translating that growth into dividends.

The Group's asset base has more than doubled over the past decade and now exceeds $2.3 billion (Chart 3). Most of this growth reflects substantial investment by Aurora Energy in the electricity networks serving Dunedin, Queenstown, Central Otago and the Upper Clutha. These investments have strengthened and expanded critical infrastructure, while also increasing the Group's borrowings.

The nature of these investments is reflected in the Group's cash flows. In recent years, capital expenditure has consistently exceeded cash generated from operations, resulting in negative free cash flows (Chart 4). Put simply, most of the cash generated by the Group has been reinvested in the business rather than distributed to shareholders. Furthermore, since investment requirements have exceeded cash generated from operations, additional borrowing has been required.

This pattern is expected to continue. For at least the next decade, Aurora Energy is forecasting high capital expenditure requirements to improve resilience and meet growing electricity demand, driven by economic growth in the Queenstown and Central Otago regions and decarbonisation. Aurora Energy is forecasting to resume dividends at a modest level from 2027, but this will be balanced with requirements to reinvest in the network. In line with the Investment Framework, DCHL will continue to develop strategic options to provide strong, consistent and sustainable distributions to Council, while protecting the real value of capital for future generations.

**Chart 1: Adjusted net profit after tax** ($ million)




DCC's ownership interest in DCHL is represented by a combination of equity and a non-cash shareholder's advance. Cash is distributed to DCC by way of dividends (recorded as a movement in equity) and interest on the shareholder's advance (recorded as an expense). Adjusted NPAT represents net profit after tax, excluding interest expense on the shareholder's advance.

**Chart 2: DCHL cash distributions to (or on behalf of) DCC** ($ million)

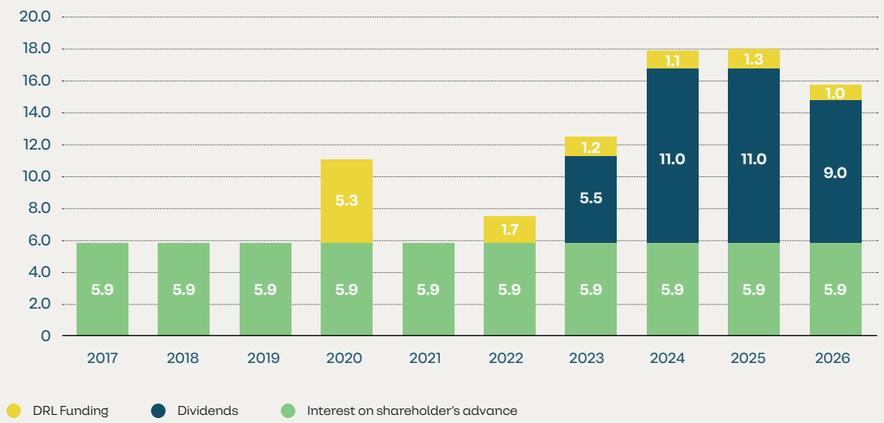


**Chart 3: Total assets and term borrowings** ($ billion)

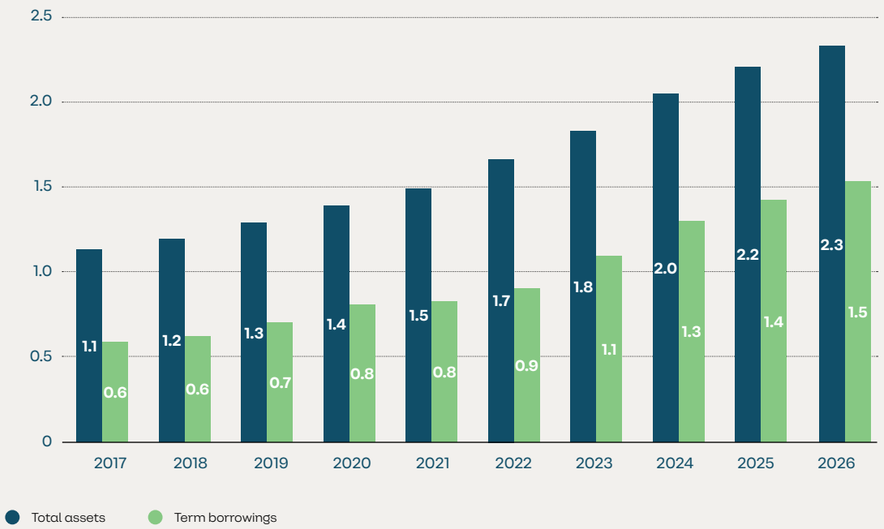
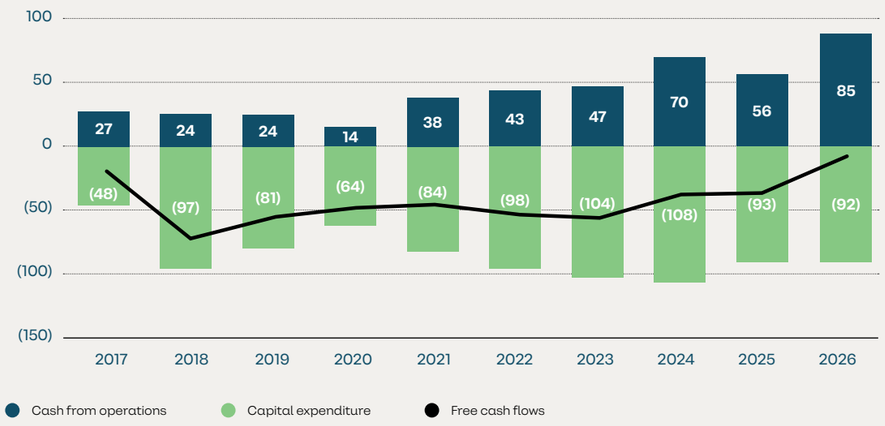
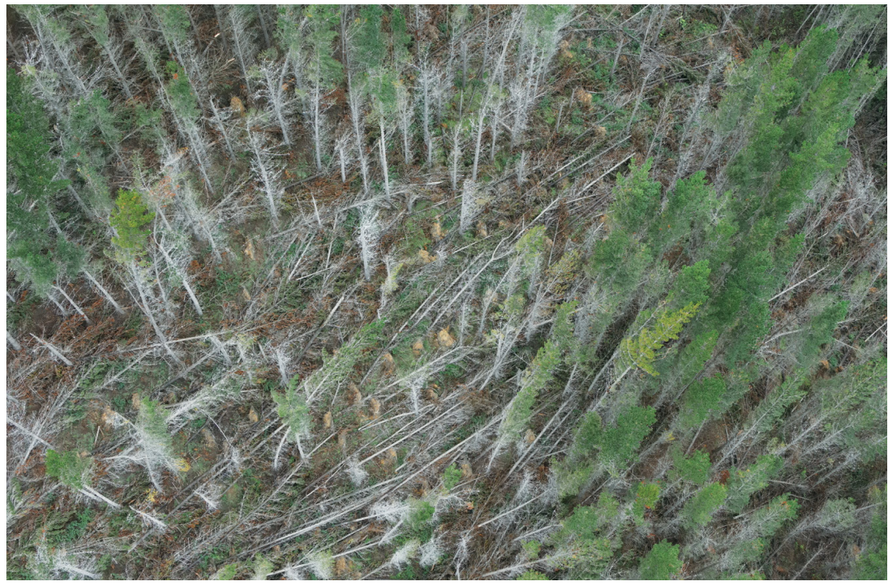



**Chart 4: Free cash flows** ($ million)





# Windstorm hits City Forests' earnings

**A sudden wind event in late October 2025, which caused widespread disruption and damage across the region, had a significant impact on the City Forests estate with over 500 hectares of trees affected by wind throw.**

Striking before midday on 23 October 2025, after several days of strong winds, the storm produced gusts of up to 170kmh recorded at Taiaroa Head just before 2pm. While the effects of the storm were felt across the region, bringing down lines and trees, the direct impact on City Forests' estate was notable.

Approximately 530 hectares of forest were affected, representing about 4% of City Forest's 20,000 hectares of productive estate. The damage included several hundred hectares of harvest-ready trees, which were the primary focus of the recovery effort, designed to maximise the wood's value before decay could set in.

Given the potential risks involved in managing wind-blown timber, City Forests undertook a fully mechanised recovery, ensuring there were no injuries during the harvest process. The team also had to manage increased complexity, with broken trees, damaged wood and up-rooted stumps all requiring special handling.

The accelerated recovery programme was largely successful in recouping as much value as possible from the damaged stands. The windstorm also had no material impact on the current year's replanting programme, with 550-600 hectares completed as planned.

Although the wind event only affected a small percentage of the total productive estate, the forest valuation decreased from $212m to $202m, roughly correlating with the scale of the damage. Combined with a more expensive operating environment, with increased fuel costs impacting the supply chain, including harvesting, trucking and shipping, the storm had a significant financial impact on the business this year.

Around 70% of logs are exported. While key overseas markets, primarily South Korea and China were relatively soft, City Forest's export operations functioned well, with volume placement and positive margins maintained.

While the effects of the severe weather were significant, the scale of the wind throw event was unusual for the City Forests estate. Given its relatively sheltered geographic location, stable soils, and less frequent impact from cyclones, the operation is at considerably lower risk from ongoing weather and climate-related impacts, compared to other forestry areas in New Zealand.

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# Infrastructure investment

**DCHL is a shareholder in two regionally significant infrastructure businesses – wholly owning Aurora Energy and holding a 50% interest in Dunedin Airport. These companies provide essential infrastructure that supports economic activity, population growth and community interests across Otago and Southland. As long-term assets, electricity networks and airport infrastructure require ongoing investment to maintain safety, reliability, resilience and capacity as customer needs evolve.**

As an owner, DCHL has a responsibility to invest or enable funding to ensure that these businesses are positioned to meet the needs of the community they serve. Both companies operate within regulatory frameworks that are designed to protect customers, set expectations for performance and service quality, and provide opportunities to earn an appropriate return on invested capital.

Aurora Energy is subject to Commerce Commission price-quality regulation, while Dunedin Airport operates under a regulatory regime that requires extensive disclosure and consultation on airport pricing. These arrangements support prudent investment in infrastructure that communities and businesses rely on every day.

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*Smith St: The Smith Street Zone Substation Upgrade strengthened electricity supply and created greater network resilience and back-up supply options for customers in central Dunedin and Roslyn.*

# Investing today for the energy needs of tomorrow

**Aurora Energy has completed a five-year investment programme, running from April 2021 to March 2026 and approved by the Commerce Commission following public consultation, representing several hundred million dollars of network investment.**

The programme delivered essential maintenance and upgrades across Ōtepoti Dunedin, Central Otago, Wānaka and Queenstown-Lakes, replacing ageing infrastructure, constructing and upgrading substations, and strengthening the network for future demand. In the most recent reporting year alone, Aurora replaced several hundred power poles, tens of kilometres of high-voltage lines, and over a hundred distribution transformers — work that has continued steadily across all five years of the programme.

The value of this work is measured not only in assets installed but in the delivery of a safer, stronger and more dependable electricity service. The Commerce Commission's enhanced annual monitoring has shown continued progress since 2021, with improved asset-management practices reflected in better reliability and customer service, ongoing replacement of assets presenting safety risks, and a reduction in unplanned interruptions. Aurora's network now supports close to 100,000 consumer connections and over 200,000 people across the region.

A recent example of this resilience investment in action is the replacement of two ageing high-voltage cables between the Kaikorai Valley zone substation and Transpower's Halfway Bush Grid Exit Point, completed in July 2026. The three-kilometre underground cable project strengthens supply security for thousands of Dunedin homes and businesses, using directional drilling to minimise disruption to residents and roads during construction.

Queenstown-Lakes remains one of the fastest-growing parts of the network and meeting that growth safely and affordably is central to the next decade of planning. The district's population has grown at over 5.0% a year over the past decade, more than three times the national rate, and peak demand at the Frankton grid exit point has climbed by an average 2.8 MW a year over the same period.

Completion of the customised price-quality path is a foundation, not a finish line: Aurora's Asset Management Plan Update covers the decade from April 2026 to March 2036, built around developing a more intelligent and digitally enabled network, a more dynamic network operating model, strengthened strategic partnerships and a future-focused and efficient core business.

Looking further ahead, Powering Southern Lakes 2050 and Powering Dunedin 2050 – Aurora's long-term visions for their core regions – will guide staged investment through the 2020s and 2030s and into the 2040's, optimising new transmission build, distribution network augmentation and both customer and grid scale non-network solutions to meet demand and resilience needs at the lowest sustainable long-term cost. The aim being to keep capacity ahead of demand – whether that capacity is delivered via the network or from locally distributed battery and generation sources. The network will play a pivotal role in underpinning the region's continued economic growth.



# Strengthening southern connections

**For Dunedin Airport, the 2025/26 year marked the first full year of operation for the trans-Tasman service between the city and Australia's Gold Coast Airport, carrying over 45,000 passengers.**

The new direct trans-Tasman service reflects a continued focus on investing in the airport's future, not only through the growth of aviation connectivity of the wider Lower South region it serves, but also the development of the terminal and the strengthening of key relationships across the sector.

To continue to build awareness and demand for the service, Dunedin Airport has worked closely with Jetstar and Gold Coast Airport, as well as regional tourism organisations and partners on both sides of the Tasman.

This approach received support from the Ministry of Business, Innovation and Employment (MBIE), which in November allocated $1.2m to Southern Way through its Regional Tourism Boost funding. Southern Way is New Zealand's latest fully mapped bikepacking route, offering 1,000 kilometres of multiday cycling through Otago. The funding supported activity aimed at increasing Gold Coast visitation during the first quarter of the year, with the 'Tastes of the Southern Way' campaign delivered alongside Jetstar, TripAdvisor and the Restaurant Association.

The welcome received by both international and local visitors was also reinforced by Dunedin Airport's Terminal Enhancement Project. This year, the multi-year programme delivered a reconfigured Level 1 retail and food and beverage precinct.

The terminal investment was also complemented by the first stage of a runway renewal programme, designed to upgrade the underlying structural runway base that has supported airport operations for more than 60 years. A seven week, around the clock project to rebuild the runway's central keel – an 18-metre-wide strip running the full length of Runway 03/21 – was completed by Fulton Hogan in May. A second stage of work is scheduled for the summer of 2026/2027. This will see the full width of the runway resurfaced and have its end-of-life airfield lighting system upgraded.

These investments in both infrastructure and the network are designed to not only enhance critical connections for the lower South Island but also support the local tourism industry and the wider local economy, while connecting our community with the country and the world.

# Delta supporting the local electricity network

**Stage Two of Aurora Energy's Waipori (ABC) 33 kV Line Upgrade was a significant infrastructure project supporting the electricity network serving more than 10,000 customers across Mosgiel, East Taieri, Outram and Berwick.**

Planning, consent requirements and coordination for the project took place across early FY26, with the main construction work delivered between January and March 2026.

Overall, the project involved 17 new steel towers, the removal of an estimated 45 existing poles and approximately 3.1 kilometres of new conductor – around 1.5 kilometres on each of the B and C lines, plus the A line section.

One dedicated line crew completed most of the work, with support from all Delta line crews and other network crews during the outage. This wider support was important to completing the required work within the available outage window.

Skevingtons completed the civil works in advance, while HeliOtago supported the conductor stringing by helicopter during the outage. The helicopter provided the most effective way to cross the Taieri River and reduced the need to move heavy equipment through areas where access and ground conditions were constrained.

The project brought together Delta's technical experience in overhead line construction with strong project management and practical problem-solving skills. The river crossing and surrounding flood banks added considerable complexity, requiring Delta to work closely with the Otago Regional Council and local landowners while operating within restrictions designed to protect the flood banks. Working around private land, variable ground conditions and existing electrical infrastructure required careful access planning and construction sequencing. Strong communication and coordination between the flight crew, line crews, contractors and other stakeholders supported the safe and efficient delivery of the project to a high standard.

As Aurora Energy continues to renew and upgrade the Waipori (ABC) lines, it strengthens network reliability and helps support future growth in the area. Delta's delivery of this section of Stage Two builds on the work its teams completed on Stage One between Berwick and Outram in 2021.

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# Community

**From ethical investment to environmental protection, DCHL recognises the potential impacts and positive opportunities of its operations across the region. These are not only in terms of direct financial benefits to Council, but also in helping to support a liveable, vibrant and successful city for our broader community.**

DCHL acknowledges its responsibility to give effect to the principles of Te Tiriti o Waitangi/the Treaty of Waitangi in how it operates and makes decisions. DCHL is committed to developing meaningful relationships with mana whenua. This means taking a deliberate and staged approach to strengthening these relationships, including improving engagement, understanding mana whenua interests and incorporating Māori perspectives into planning.

With all directly-employed team members on a living wage, DCHL is also committed to operating as a good employer. In particular, the Group continues to focus on building and supporting diversity across its operations.

Ultimately, DCHL is working to ensure it demonstrates a strong sense of social and environmental responsibility, in support of Council's objectives and the interests of our broader community.

# Building governance capability for the region

**Now in its fifth iteration, the DCHL Graham Crombie Intern Director programme is helping build governance capability in Dunedin, for the benefit of local organisations, the economy and the community.**

The programme places emerging governance leaders with DCHL company boards, allowing them to take part in meetings, contribute to discussions, and build a working understanding of governance in a commercial setting. Each intern also receives mentoring, Institute of Directors training support, and networking opportunities.

The six new intern directors commenced their terms on 1 July 2026 and will work alongside the company boards for 18 months. Interest in the programme was high, with 99 applications received.

## The current cohort of intern directors are:

**Louisa Homersham**
Placed with Dunedin Venues Management Ltd

**Marc Keen**
Placed with Dunedin International Airport Ltd

**Marieke Mahoney**
Placed with Aurora Energy Ltd

**Penelope Grellet**
Placed with Delta Utility Services Ltd

**Cory Neale**
Placed with City Forests Ltd

**Max Sims**
Placed with Dunedin Railways Ltd

The programme was named in honour of former DCHL Chair Graham Crombie (1963-2019). Graham, who led the establishment of the programme, had a strong interest in developing emerging leaders, and was closely involved in supporting the early cohorts of intern directors.

# International appeal for railway experiences

**Offering a uniquely local experience, coupled with the activation of an important part of Dunedin's heritage, Dunedin Railways is experiencing growing local and international demand, while providing broader social and economic returns to the city.**

Passenger numbers for Dunedin Railways increased by 26% in the 2025/26 year, reaching almost 40,000. The business experienced growth across several areas, including the Taieri Gorge service – to an area inaccessible by road – and cruise operations.

The operation is also evolving beyond its scheduled services, to offer unique products and special events. These have included the Wild Dunedin 'Wild' Seasider, which saw both train sets coupled to carry 337 passengers, and the Stargazer, which takes passengers into Taieri Gorge after dark.

Dunedin Railways is working to a five-year plan, which focuses on transitioning to operational maturity, safe and reliable rail operations, passenger and yield growth, stronger commercial systems and disciplined financial management. The business has been investing in the track and railway, while building operational systems and team capability. This is helping to protect essential skills, infrastructure and railway heritage, which would be extremely difficult to recreate.

The business operates out of Dunedin Railway Station – one of the city's most recognisable landmarks – ensuring this iconic heritage building is an active attraction for local visitors and a drawcard for the region.

Response from the local visitor industry to Dunedin Railways' redevelopment has also been strong. Dunedin Railways is actively rebuilding relationships with the domestic and international travel trade, cruise sector and tourism operators, while developing products that allow the railway to form part of a broader South Island itinerary.

A good example of this approach is the company's work with operators whose guests travel by rail from Dunedin through the Taieri Gorge to Pukerangi and then continue by coach towards Queenstown or Te Anau. By building Dunedin Railways into the itinerary, it turns what would otherwise be a road transfer into a memorable visitor experience, while connecting Dunedin more effectively with the wider Otago tourism journey. The approach is particularly important because these partners are planning itineraries two and three years in advance, so rebuilding those relationships now creates a pipeline of future business.

Ultimately, Dunedin Railways is working towards becoming a sustainable, commercially strong and genuinely valuable part of the region's visitor economy, creating opportunities for other operators and businesses while supporting a unique part of Dunedin's heritage.

DUNEDIN CITY HOLDINGS LIMITED

# Community performing under the roof

**While the Highlanders home season once again showcased the atmosphere at Forsyth Barr Stadium, this year saw a range of community events, festivals and experiences that brought the community together under the roof.**

The Highlanders Super Rugby season continued to attract significant crowds, with over 85,000 attending during the season's matches.

The continued appeal of the venue was also showcased in a range of events that provided the community with the opportunity to play and entertain on a world class pitch at Forsyth Barr.

Over 44,000 people attended 39 different community events across Dunedin Venues' spaces, including 15 held at the stadium.

One of the highlights of the season was the New Zealand Festival of Nature. The weekend opened with the Pitch Choir, turning the pitch into a shared creative space as hundreds of voices filled the stadium. The Wild Dunedin Nature Dome, held the following day, transformed Forsyth Barr into an interactive environmental showcase, to the delight of local families. Over 8,500 people attended the event, which underscored the ability of the venue to host both performance and festival events in the course of a single weekend.

Other notable events included the Relay for Life, in which more than a thousand runners and walkers raised $25,000 for the Cancer Society and the Moana Nui Pacific Festival, which drew a crowd of almost 6,000.

Major events, such as the All Blacks vs France test in July 2025, which generated over $13m in direct economic impact for the city, and the Hot Wheels Monster Trucks Live, drawing an audience of more than 15,000, continue to reinforce the international quality of the stadium. The last 12 months have highlighted the versatility of Forsyth Barr Stadium, and Dunedin Venues' range of other performance and events spaces.



# City-wide response to keep our community safe

**In response to the wind event that affected Dunedin in late October 2025, Delta's Tree Services and Greenspace teams supported the city-wide recovery efforts, responding as soon as the first reports of fallen and damaged trees came in and continuing well beyond the initial emergency.**

The most urgent work was addressed first. Tree crews supported Delta's electrical fault teams where vegetation had damaged or become entangled with power lines, allowing electrical repairs to proceed. They then focused on trees threatening public safety or affecting roads and important infrastructure. Less urgent sites were inspected, isolated or left closed until crews could return.

Close communication between Delta teams, Dunedin City Council and other contractors was essential. DCC passed on reports received from the public, while Citycare Water, Downer and other contractors shared information about damage they'd encountered. Delta's Greenspace teams also identified affected areas, helped secure or close sites and advised Tree Services where specialist assistance was needed.

Crews were often dispatched with little more than an address and brief details. Once on site, they used their technical expertise and professional judgement to assess the situation, determine what could be completed safely and decide whether another location required more immediate attention. They communicated clearly about what could be done, what needed to be deferred and what additional resources were required.

This judgement was particularly important when working around unstable trees, power lines, blocked roads, damaged underground services and continued high winds. Work did not proceed where conditions made it unsafe, and roads or public areas remained closed when necessary. Despite the scale of the event and the difficult conditions, there were no injuries within Delta's response teams, no significant operational issues and no complaints.

The initial emergency developed into a much longer recovery. Three tree crews worked across Dunedin for approximately six weeks to address remaining dangerous trees, with some follow-up continuing through Christmas. The focus was on removing immediate hazards rather than full reinstatement. The remaining work was incorporated into forward maintenance planning with the DCC.

In response to Delta's work, public and customer feedback was positive. North Taieri resident Claire Perry publicly praised Delta's arborists and line crews after they worked into the night to disentangle a large gum tree from power lines, restore electricity to the area and then move directly to their next job.

DUNEDIN CITY HOLDINGS LIMITED

# Stewardship



## Managing an intergenerational investment

**A comprehensive review of the Waipori Fund's objectives and investment strategy, undertaken during the year, has established a modern and fit-for-purpose framework for the fund's management, preserving its intergenerational purpose and strengthening governance, while delivering higher and more sustainable benefits for the people of Dunedin.**

The Waipori Fund was established in 1998, from the proceeds of Dunedin City Council's (DCC) sale of Waipori Power Generation Limited and its share of United Energy Limited.

Over the last two and a half decades, the fund has performed well. Established with an investment of just over $56m, the fund has grown to a value of $117.7m as at 30 June 2026. During that time, the fund has distributed over $80m to Council, with an estimated annualised compounding return of 6.7% since June 2014.

This return has also been achieved while adhering to a strict, socially responsible investment strategy. This means avoiding investments in activities which are inconsistent with Council's ethical position, such as those involving tobacco, armaments, fossil fuel extraction and gambling, or that do not meet UN policies on health and safety, and child and human rights.

While the fund has done a good job of growing and protecting the real value of capital, DCHL reviewed the Waipori Fund's Statement of Investment Policies and Objectives (SIPO) in response to DCC's request to increase returns from its investments to reduce pressure on ratepayers.

**DCHL recommended retaining and clarifying the fund's core purpose by adopting four investment objectives:**

- Providing a strong, consistent and sustainable distribution to Council;
- Maintaining the capital base of the fund in real terms;
- Maximising the real rate of return subject to the selected asset allocation; and
- Maintaining sufficient liquidity to meet distribution requirements.

In order to increase returns, DCHL recommended a change in strategic asset allocation. This means a shift from the current balanced income approach, to a more growth-orientated portfolio. This will comprise 80% growth assets and 20% income assets – a mix DCHL considers provides the best balance between return and risk. The approach is consistent with a number of similar funds, like the Auckland Future Fund and New Plymouth's Perpetual Investment Fund.

While a higher-growth portfolio will see greater volatility, a new approach will enable more predictable and sustainable distributions, while protecting capital value over the long-term.

The fund will continue to be owned by the Council, which will maintain ultimate oversight and approve distributions. However, consistent with the 'one portfolio' approach, DCHL will be formally responsible for overseeing the investment strategy, reviewing performance and making active recommendations on distributions and the SIPO.

The new SIPO was approved by Council in August 2026.

DUNEDIN CITY HOLDINGS LIMITED

# A decade of transformational change

**In announcing the retirement of Aurora Energy Limited Chair Steve Thompson in May 2026, DCHL acknowledged the decade of transformational change Aurora Energy has achieved under his tenure, which has seen the focus of the organisation transition from 'fix the network' to 'meet the future'.**

DCHL acknowledges Steve's role in steering the electricity distribution business through one of the most consequential transitions of any infrastructure business in New Zealand.

During this time, Aurora was established as an independently governed and managed network business, when it separated from Delta Utility Services in 2017. This enabled clear accountability for network performance, and a sharper regulatory and customer focus.

The new operating model has also enabled Aurora to invest more than $600m in renewing the network across Dunedin, Central Otago and Queenstown Lakes, built through a Customised Price-Quality Path (CPP), approved by Commerce Commission.

As a result of the focus on investment, and operational and cultural improvements across the organisation, Aurora has also seen a step-change in network reliability and resilience, as well as measurable improvements in health and safety.

The transformation has gone a long way towards building stakeholder trust. Aurora has moved from a position of regulatory scrutiny to constructive sector leadership. A focus on strong financial stewardship has also positioned the business to make sustainable returns to the community.

As a result of the changes, Aurora is now positioned for the energy transition, with positive impacts on communities and the environment across the region. This includes the Queenstown Regional Electrification Development Plan, leadership on distributed energy resources and non-network solutions, as well as a 10-year investment plan to respond to growth and decarbonisation.

# Dunedin City Treasury maximising financial efficiency

**Established in 1992, Dunedin City Treasury Limited (DCTL) has been providing centralised funding and financial risk management for Council and its companies for over three decades, managing risk, reducing cost and maximising funding for the businesses' operations.**

Wholly owned by Dunedin City Holdings Limited, DCTL is responsible for all the borrowing for the DCC Group, issuing debt securities and on-lending to the Council and companies within the Group.

This centralised approach enables the Group to benefit from DCTL's access to investors, which include wholesale investors, fund managers and banks, and the joint security of the Group's portfolio of assets and capital. Combined with DCTL's credit rating (Standard & Poor's AA-/A-1+), this centralised approach means borrowing costs are significantly reduced for both the Council and group companies.

DCTL activities are managed within the Treasury Risk Management Policy. This provides a framework for managing the DCC Group's interest rate, funding, liquidity, foreign exchange and credit risks. Compliance with the policy is reported monthly to the DCTL Board.

DUNEDIN CITY HOLDINGS LIMITED

# Environment

## Greenhouse gas emissions

**Over the course of the year, DCHL Group continued to implement its Carbon Roadmap, with a dual focus on reducing emissions from Group activities and supporting Dunedin's broader city-wide emissions reduction goals.**

While those efforts continue, the Group is balancing increased demand in key areas, such as airport passenger numbers, sea freight and electricity demand, which contribute emissions largely outside of its direct control.

DCHL Group measured a gross emissions total of 83,299 $tCO_2$-e, across Scope 1, 2 and 3, in the year ended 30 June 2026. Compared with FY25, gross emissions increased by approximately 3.4%. This was primarily driven by a rise in Dunedin Airport's aircraft and passenger travel-related Scope 3 emissions, following the reopening of the international terminal. This increase outweighed reductions elsewhere in the Group.

## Emissions performance

**Table 1: DCHL Consolidated FY26 emissions by scope and year (tonnes $CO_2$-e)**

| Measure ($tCO_2$-e) | FY24 (restated) | FY25 (restated) | FY26 | Change (FY25–FY26) |
|---|---|---|---|---|
| Scope 1 | 4,507 | 4,712 | 4,586 | -2.7% |
| Scope 2 | 5,097 | 8,286 | 6,135 | -26.0% |
| Scope 3 | 77,140 | 67,576 | 72,578 | +7.4% |
| **Gross emissions** | **86,744** | **80,574** | **83,299** | **+3.4%** |
| Forestry | (4,931) | (4,929) | (4,929) | 0.0% |
| **Net emissions** | 81,813 | 75,645 | 78,369 | +3.6% |

***Notes:*** *Tables are reporting Scope 2 under the market-based method. The DCHL GHG Inventory ISO Report contains details of both the location-based and market-based emissions for Scope 2. FY24 and FY25 figures have recalculations applied to update the historical electricity emission factors for the latest released in 2026, as well as updated aircraft emissions following methodological updates by the Airport.*

## Emissions by company

**Table 2: FY26 emissions by company and scope (tonnes $CO_2$-e, market-based).**

| Company | Scope 1 | Scope 2 | Scope 3 | Total Gross | Forestry | Net |
|---|---|---|---|---|---|---|
| Dunedin Airport | 95 | 82 | 45,365 | 45,541 | – | 45,541 |
| City Forests | 114 | 2 | 24,200 | 24,317 | (4,929) | 19,388 |
| Aurora Energy | 260 | 5,850 | 2,306 | 8,416 | – | 8,416 |
| Delta Utility Services | 3,425 | 0 | 622 | 4,047 | – | 4,047 |
| Dunedin Venues | 221 | 191 | 94 | 506 | – | 506 |
| Dunedin Railways | 469 | 9 | 6 | 485 | – | 485 |
| Dunedin City Holdings | 1 | 0 | 8 | 9 | – | 9 |
| Dunedin City Treasury | 1 | 0 | 1 | 2 | – | 2 |
| **Total** | **4,586** | **6,135** | **72,578** | **83,299** | **(4,929)** | **78,369** |

***Note:*** *The Total row in Table 2 includes a 24 $tCO_2$-e Group-level Transmission and Distribution losses adjustment that is not allocated to individual companies. This means the rows in Table 2 do not match the Total row.*

## Top 10 emission sources

**Table 3: FY26 top 10 emission sources ($tCO_2$-e)**

| Source | Scope | $tCO_2$-e | % of gross emission |
|---|---|---|---|
| Airport indirect emissions | 3 | 42,110 | 50.6% |
| Freight | 3 | 20,182 | 24.2% |
| Aurora – electricity transmission and distribution losses | 2 | 5,762 | 6.9% |
| City Forests – contractor fuels | 3 | 4,463 | 5.4% |
| Fuels | 1 | 4,453 | 5.3% |
| Airport – dairy farm | 3 | 3,083 | 3.7% |
| Aurora – contractors | 3 | 2,044 | 2.5% |
| Purchased electricity (market-based) | 2 | 372 | 0.4% |
| Waste to landfill | 3 | 227 | 0.3% |
| Car-based transport | 3 | 221 | 0.3% |

***Notes:*** *Emissions are measured and reported in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and ISO 14064-1 (version 2006 or 2018, as applicable for each company). Not all indirect (Scope 3) emissions across the Group's value chain are captured; Scope 3 reporting is reviewed and expanded on an ongoing basis.*



# Major movements

**The Group measures its emissions in line with international standards. These include those it has direct influence over, as well as the emissions coming from its energy use and the downstream operational activities of which it is a part.**

### Scope 1 – direct emissions (down 2.7%)

The Group's Scope 1 emissions reduced by 2.7% compared to the prior year. This was predominately driven by the reduction in fuel use from Delta, whose Scope 1 emissions reduced by 283 tonnes (7.6%) during the year.

### Scope 2 – purchased energy (down 26%)

Group-wide Scope 2 emissions fell 26% in FY26. This was primarily driven by lower emissions from the national grid as New Zealand's electricity generation mix became cleaner (higher renewable, lower coal and gas-fired generation), rather than lower electricity demand across the Group.

On top of this, two subsidiaries made genuine, activity-driven contributions. Dunedin Airport's new terminal rooftop solar array reduced its grid electricity consumption, even as demand rose following the reopening of the international terminal. Dunedin Venues' investment in LED lighting with smart motion and daylight controls, alongside its ongoing energy systems automation upgrade, also contributed to a reduction in electricity consumption.

### Scope 3 – value chain (up 7.4%)

Group Scope 3 emissions rose 7.4% (+5,002 $tCO_2$-e) in FY26, driven predominantly by Dunedin Airport's aircraft and passenger travel-related emissions, following the re-establishment of international flights. Smaller increases were recorded at City Forests and the Airport's Dairy Farm operations, partially offset by reductions in Group business-travel flights and Aurora Energy's contractor emissions.

# Progress on emissions reduction

**Each company within the DCHL Group also has a major focus on emissions and waste reduction, as part of the Group's broader commitment to sustainability.**

### Aurora

Aurora continued refining its GHG and waste reduction strategies (first developed FY22) across four workstreams: fleet conversion, generator diesel reduction, solar investment and waste. All non-utility/towing vehicles replaced in FY26 were swapped to hybrid, and an EV charger was installed at Cromwell. Aurora is assessing battery storage (BESS) to supplement diesel generators in its mobile fleet, and investigating solar for its new Cromwell office.

Total GHG emissions fell to 8,416 $tCO_2$-e in FY26, down from 10,527 $tCO_2$-e in FY25; Scope 1 and 2 (excluding line losses) were 348 $tCO_2$-e, 3% below the FY21 baseline, mainly from lower fleet emissions. On waste, Aurora progressed pilot reporting with its largest provider and confirmed key field service providers have appropriate disposal and recycling arrangements, including transformer oil recycling.

### Delta

Delta continued replacing light passenger vehicles with hybrids. The company has also ordered two fully electric vehicles to replace combustion-engine vehicles, and is replacing an Elevated Work Platform truck with an Electric Power Take Off (EPTO) unit.

Delta refreshed its Carbon Emissions & Waste Reduction Strategy (first developed FY22) to cover FY26–FY36. Its targets remain a 45% reduction in Scope 1 gross emissions, 100% reduction in Scope 2 net emissions, and 20% reduction in Scope 3 gross emissions, against a FY22 baseline.

Against that baseline, Delta reported a 7% gross reduction in Scope 1 (constrained by limited low-emissions vehicle options and business growth). It also recorded a 100% net reduction in Scope 2 via Renewable Energy Certificates from Meridian Energy and a 2% gross increase in Scope 3, driven by a supply-chain change that saw stock freighted from Australia. Delta will complete a Scope 3 inventory during FY27 to identify further reduction categories.

### Dunedin Airport

Dunedin Airport commissioned its first major rooftop solar installation on the terminal building in December 2025. In its first months of operation, the solar array was successful in reducing grid electricity use, despite increased demand from the reopened international terminal.

Following an audit of terminal waste diversion, which did not achieve its 30% target (19% in June 2026), funding has been allocated for improved recycling infrastructure and an upgraded waste-transfer area.

The Airport achieved Level 4 Airport Carbon Accreditation in September 2025, with its Carbon Management Plan (Scope 1 and 2), Stakeholder Partnership Plan (Scope 3), and FY19 baseline all independently reviewed or assured for the first time.

Combined Scope 1 and 2 emissions are 41% below the FY19 baseline (market-based) — ahead of the pathway to reduce operational emissions by 46.2% from FY19 by 2030 — while total Scope 1–3 emissions are down 20% against the same baseline.

### Dunedin Venues

DVML completed engagement with key contractors and suppliers to review Scope 3 emissions at the stadium, with further work targeted for 2028 covering vehicle movement, generator usage, and event AV/lighting efficiency. The organisation agreed a five-year electricity contract at a capped rate, and is exploring battery storage for peak-demand management.

DVML has replaced stadium lighting with LED and smart controls, and is upgrading its energy systems with further automation and sensors, targeted for 2030.

DVML's new waste contractor completed a review as part of an audit, and DVML completed bin-management improvements (location, numbers, colour-coding, signage) to boost recycling awareness. It is working with its food service provider to reduce food waste and packaging, and is substituting cups for aluminium cans where possible.



# Contribution to city-wide emissions reduction

**As part of its broader commitment to Dunedin's city-wide emissions reduction goals, the DCHL Group continues to actively explore a range of opportunities and take actions which help the local community reduce net emissions.**

### Aurora Energy

Enables decarbonisation across the city through the electrification of transport, industry and households. Aurora is also supporting the decarbonisation of the growing local region through increased network capacity.

### Dunedin Airport

Achieved Level 4 Airport Carbon Accreditation (up from Level 3) and published its first standalone Sustainability Report. The airport joined ten other Aotearoa New Zealand airports in adopting the Platform for Analysing Carbon Emissions (PACE), giving the sector a consistent methodology for measuring aircraft emissions and a stronger basis for engaging airlines on reductions. Local carbon-removal options are continued to be developed by the airport through the Dunedin Zero Carbon Alliance.

### City Forests

Makes a significant contribution to lowering the region's gross carbon footprint through carbon sequestration in its actively managed native forest reserves, and the supply of bioenergy material used by customers across Otago to offset coal and gas use.

# Looking ahead

**During FY27, DCHL expects to take an active coordination role on climate-related matters across the Group, supporting capability development and the sharing of knowledge between subsidiaries. This will help understanding of climate-related risks and opportunities while recognising that delivery remains the responsibility of each operational subsidiary.**

Dunedin Airport will further reduce electricity demand through the existing terminal solar array, planned solar installations on the AvSec and Airport Emergency Services buildings, and a potential farm solar project. The airport is also continuing to advance climate-risk and adaptation planning.

Delta will complete an inventory of its remaining, currently unmeasured Scope 3 emissions during FY27, to identify further categories it can begin measuring and reducing.

All group companies will continue implementation of their carbon emissions and waste reduction strategies.

DUNEDIN CITY HOLDINGS LIMITED

*Future energy Wanaka: Aurora Energy supporting growth and increasing electrification*

# Community energy – turning customers into network partners

**Community generated and stored electricity is changing the relationship between customers and the electricity network.**

Instead of relying solely on new poles, wires and substations, Aurora Energy is testing how household batteries, intelligent controls and network scale battery storage, can reduce peak demand, improve resilience and potentially defer major investment. This builds on earlier work in the Upper Clutha, where a distributed-energy solution delivered a meaningful reduction in peak demand and deferred infrastructure upgrades by around two years.

The most visible current example is Aurora's partnership with Octopus Energy. Customers in Queenstown and Wānaka/Upper Clutha with a home battery or vehicle-to-grid setup can sign up for a higher than normal export payment, when their battery helps balance the network during peak demand. It's a practical, lower-cost alternative to building new lines, poles and cables in the short-term – helping keep costs down for all customers. If successful, the initiative could be extended to other parts of the network facing emerging capacity constraints as the region grows and electrifies.

Aurora is also exploring solutions designed around entire communities. At a large proposed residential development near Queenstown, Aurora and its development partner are assessing smart EV charging and community batteries from the master-planning stage, with an initial concept for community batteries operating as a virtual power plant. A new zone substation will ultimately be required, but coordinated non-network solutions may defer that investment for several years while supporting reliability and more efficient long-term spending, directly supporting growth in one of the region's highest-demand areas.

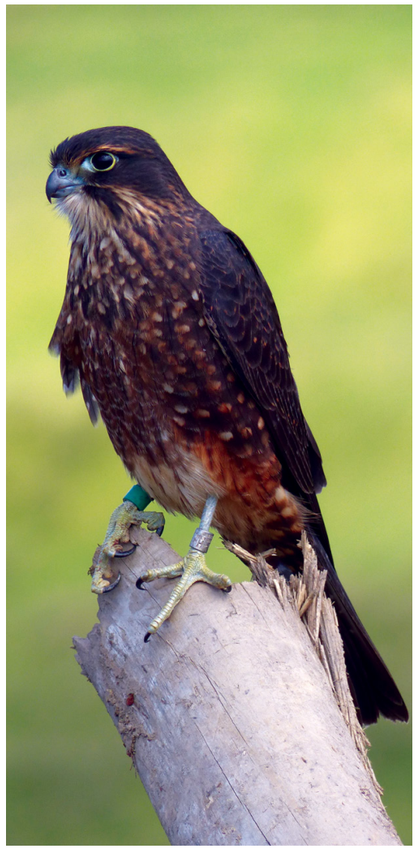
Glenorchy addresses a different community need. Supplied from Queenstown by a single line and vulnerable to weather and slips, it is the proposed location for Aurora's first battery energy-storage trial. The battery would work alongside Glenorchy's existing generation, helping restart and stabilise the local network if the community becomes disconnected from the wider grid — with lessons applicable to other isolated communities on Aurora's network.

Together, these initiatives form a portfolio rather than a single answer: customer flexibility, shared storage and network-owned resilience assets are being evaluated alongside continued investment in the core network. Trials like these also reflect Aurora's role in testing approaches ahead of wider adoption across the sector. Their intended benefits include stronger customer participation, improved emergency resilience, better use of existing assets, more efficient investment timing, and lower costs for the wider community. All remain trials or feasibility work, so realised value will depend on customer uptake, technical performance and robust economic assessment.



# Supporting biodiversity across the region

**While the City Forests estate is providing a welcoming environment for some of our rarest species, the company is also focusing on supporting a range of initiatives – from pest and predator control to wildlife protection – as part of a wide focus on the local environment.**



The 25,000 hectares City Forests has under management, including around 4,000 hectares of significant native reserves, are a unique habitat for some of the region's most distinctive birds and animals. A healthy population of kārearea, the New Zealand Falcon, thrive in the pine forests, using clear-cut edges for hunting. South Island Robin, an at-risk species that is unique to New Zealand, are also found in Flagstaff Forest, with some previously relocated to the Silver Peaks eco-sanctuary. To help minimise disturbance to these birds, and others which live in the forest, City Forests carefully adapts its harvest practices, especially around nesting seasons.

The forests are also home to Eldon's galaxias, a rare non-migratory fish, which populate the forest's waterways. City Forests collaborates with the Department of Conservation to understand and maintain these populations, which have survived multiple harvest cycles.

As part of its protection of these species, as well as others in the region, City Forests works closely with neighbours to remove predators from the area. The organisation is also a major sponsor of Predator Free Dunedin, contributing around $70,000 per annum.

Animal pests, such as deer, pigs and goats are controlled through an active management programme. This includes recreational hunting – around 80% of the recreational permits issued for the forests are for hunting – commercial ground control, and aerial control if required. The company also typically spends around $50,000 per year on controlling wilding pines, while new plantings adhere to strict national environmental standards to mitigate wilding risk.

To support the wider region, City Forests sponsors the Otago Wildlife Hospital, which aids injured wildlife and has recently re-signed a sponsorship agreement with the Yellow-Eyed Penguin Trust, complementing other conservation efforts.

City Forests has participated in the Emissions Trading Scheme (ETS) since its inception in 2009. The forests currently store around 8 million tonnes of carbon.

DUNEDIN CITY HOLDINGS LIMITED

# Switching on investment in a sustainable future

**When Dunedin Airport switched on its first rooftop solar array in December 2025, it marked the start of an ongoing investment in renewable energy.**

The solar array is the airport's largest emissions-reduction project to date, designed to generate around 145,000kWh per year. The project is helping shape the next stage of the airport's energy supply programme, which will see additional solar and other infrastructure, supported by improved measurement and monitoring.

The approach is part of the airport's broader sustainability focus, which recognises the challenges of an operation where over 80% of emissions are from aircraft and ground vehicles. The airport's response is being driven by improved data and enhanced partnerships, to help address a whole-of-industry issue.

This included the development of independent assurance for the airport's greenhouse gas baseline, as the basis for future targets and reporting. It also saw the adoption of the PACE airports platform, used by 10 other airports around the country, which provides a consistent basis for working with airlines and measuring aircraft emissions.

New technology is also helping address aircraft emissions. New generation aircraft, such as the Airbus A320neo operated by Jetstar on trans-Tasman flights, operate more efficiently and burn less fuel. For Dunedin Airport, this has meant avoiding approximately 1,314 tonnes of $CO_2e$, compared to the use of older generation aircraft over the 25/26 year.

Dunedin Airport's sustainability work was also recognised in the achievement of Airport Carbon Accreditation Level 4. This recognises the airport's commitment to reduce total emissions through actionable targets, while working with industry partners to reduce their own emissions.

# Governance

*From L to R: Tim Loan (Chair), Greg Anderson, Chris Milne, Shane Ellison, Peter Hocking (General Manager), Susie Johnstone*

# Directors

## Tim Loan *(Chair)*

**BCom, FCA, CFInstD**

Tim is an independent director and board chair, with professional expertise in finance and insurance. He was Chief Financial Officer of SBS Bank for 19 years and brings extensive experience in governance, finance, and risk management to a portfolio of board roles.

## Greg Anderson *(Deputy Chair)*

**BCom (Ag), MCom (Hons), PhD, MInstD**

Greg is Managing Director of Northington Partners and has more than 25 years' experience in corporate finance and investment banking. He advises boards and senior executives on strategy, investment, M&A and capital structure matters. He is also active in private equity and holds a range of governance roles for investee companies.

## Shane Ellison *(Director)*

**BBS (Hons), MPubInfra, CMInstD**

Shane is an independent director and former Chief Executive of Auckland Transport. He brings more than 25 years' experience in infrastructure, transport, and major capital projects, and currently works in governance and advisory roles with Māori commercial entities on investment and infrastructure opportunities.

## Susie Johnstone *(Director)*

**BCom, FCA, CFInstD**

Susie is the Managing Partner at Shand Thomson and an independent director. She brings extensive governance experience across the health, education, and tourism sectors including leadership of audit and risk committees and board roles in a range of public sector organisations.

## Chris Milne *(Director)*

**BCom**

Chris is a Partner at Investment Banking firm Murray & Co. He brings more than 30 years' experience in both advisory and senior executive roles, advising boards and senior executives on corporate transactions and through the provision of strategic and financial advice.

DUNEDIN CITY HOLDINGS LIMITED

# Consolidated financial statements



## Statement of responsibility

**The Board of DCHL accepts responsibility for the preparation of the annual financial statements and the judgements used in them.**

The Board of DCHL accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board of DCHL, except for any adjustments that may have been required in relation to the accounting treatment of related party advances and DSPL's fixed assets in the group financial statements, and the related financial information in the group statement of service performance, the annual group financial statements fairly reflect the financial position and operations of DCHL for the financial year ended 30 June 2026.

Tim Loan
*Chair*

Greg Anderson
*Deputy Chair*

DUNEDIN CITY HOLDINGS LIMITED

## Consolidated statement of financial performance *for the year ended 30 June 2026*

| | Note | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Operating revenue | 1 | 360,026 | 335,244 |
| Financial income | 2 | 29,617 | 29,145 |
| Gain in fair value of biological assets | 12 | 66 | 7,422 |
| Total operating revenue | | 389,710 | 371,811 |
| **Expenditure** | | | |
| Employee expenses | | 78,648 | 79,485 |
| Audit fees | 3 | 1,211 | 1,178 |
| Financial expenses | 3 | 63,062 | 65,413 |
| Other expenses | 3 | 172,571 | 159,815 |
| Depreciation - right of use leased assets | 13 | 3,590 | 3,930 |
| Depreciation and amortisation | 11 & 14 | 38,677 | 37,357 |
| Total operating expenditure | | 357,759 | 347,177 |
| **Operating profit/(loss)** | | **31,951** | **24,634** |
| Share of associate surplus | | 827 | 2,301 |
| **Profit/(loss) before taxation** | | **32,778** | **26,935** |
| Less taxation expense | 4 | 10,991 | 7,498 |
| **Profit/(loss) after taxation** | | **21,786** | **19,437** |

The accompanying notes and accounting policies form an integral part of these financial statements.



## Consolidated statement of other comprehensive income *for the year ended 30 June 2026*

| | Note | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Gain (loss) on cash flow hedges | | (6,650) | (26,337) |
| Other comprehensive income associates | | 26 | (70) |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Gain (loss) on land revaluations | | (10,581) | 26,649 |
| Gain (loss) on carbon credit revaluation | | (5,227) | 11,777 |
| Carbon credits ((devaluation)/revaluation) on sale units | | 1,417 | (840) |
| Other comprehensive income associates | | - | 3,822 |
| Income tax on other comprehensive income | | | |
| Tax effect of cashflow hedges taken to equity | | 1,434 | 7,374 |
| Tax effect of carbon credits sold | | (2,639) | (1,503) |
| Tax effect of carbon credits taken to equity | | 3,701 | (1,581) |
| Net income recognised directly as other comprehensive income | | (18,519) | 19,291 |
| Profit/(loss) after taxation | | 21,786 | 19,437 |
| **Total comprehensive income/(loss) for the year** | | **3,267** | **38,728** |

The accompanying notes and accounting policies form an integral part of these financial statements.

DUNEDIN CITY HOLDINGS LIMITED

## Consolidated statement of changes in equity *for the year ended 30 June 2026*

| | $'000 *Share capital* | $'000 *Accum. funds* | $'000 *Associate revaluation reserve* | $'000 *Cash flow hedge reserve* | $'000 *Land revaluation reserve* | $'000 *Carbon credit reserve* | $'000 ***Total equity*** |
|---|---|---|---|---|---|---|---|
| **2025** | | | | | | | |
| Balance as at 30 June 2024 | 136,339 | 157,644 | 27,413 | 21,065 | 50,720 | 32,241 | **425,422** |
| Profit/(loss) after tax | - | 19,437 | - | - | - | - | **19,437** |
| Transfer carbon reserve | | 3,857 | | | | (3,856) | **-** |
| Other comprehensive income | - | - | 3,752 | (18,963) | 26,649 | 7,852 | **19,290** |
| **Total comprehensive income/(loss) for the period** | **-** | **23,294** | **3,752** | **(18,963)** | **26,649** | **3,996** | **38,727** |
| *Transactions with owners in their capacity as owners:* | | | | | | | |
| Dividends paid | - | (11,000) | - | - | - | - | **(11,000)** |
| Contributions of equity | 2,550 | - | - | - | - | - | **2,550** |
| Balance as at 30 June 2025 | **138,889** | **169,938** | **31,165** | **2,101** | **77,369** | **36,237** | **455,700** |
| **2026** | | | | | | | |
| Balance as at 30 June 2025 | 138,889 | 169,938 | 31,165 | 2,101 | 77,369 | 36,237 | **455,700** |
| Profit after tax | - | 21,786 | - | - | - | - | **21,786** |
| Transfer carbon reserve | | 6,768 | - | | | (6,768) | **-** |
| Other comprehensive income | - | - | 26 | (5,216) | (10,581) | (2,748) | **(18,520)** |
| **Total comprehensive income/(loss) for the period** | **-** | **28,554** | **26** | **(5,216)** | **(10,581)** | **(9,516)** | **3,267** |
| *Transactions with owners in their capacity as owners:* | | | | | | | |
| Dividends paid | - | (9,000) | - | - | - | - | **(9,000)** |
| Contributions of equity | 2,905 | - | - | - | - | - | **2,905** |
| Balance as at 30 June 2026 | **141,794** | **189,493** | **31,190** | **(3,115)** | **66,788** | **26,721** | **452,872** |

The accompanying notes and accounting policies form an integral part of these financial statements.



## Consolidated statement of financial position *as at 30 June 2026*

| | Note | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 50,406 | 13,877 |
| Derivative financial instruments | 17 | 56 | 811 |
| Trade and other receivables | 7 | 47,268 | 43,940 |
| Inventories | 8 | 8,769 | 7,252 |
| Non current assets held for sale | | - | 2,862 |
| Prepayments | | 2,795 | 2,750 |
| Total current assets | | 109,294 | 71,492 |
| **Non-current assets** | | | |
| Other financial assets | 6 | 740,363 | 665,278 |
| Derivative financial instruments | 17 | 12,481 | 15,984 |
| Investments in associate companies | 9 | 47,857 | 47,805 |
| Intangible assets - carbon credits | 11 | 38,201 | 51,353 |
| Intangible assets - other | 11 | 3,023 | 5,606 |
| Biological assets | 12 | 201,783 | 210,105 |
| Right of use assets | 13 | 8,068 | 10,389 |
| Property, plant and equipment | 14 | 1,165,852 | 1,124,205 |
| Total non current assets | | 2,217,629 | 2,130,725 |
| **Total assets** | | **2,326,923** | **2,202,217** |

The accompanying notes and accounting policies form an integral part of these financial statements.

DUNEDIN CITY HOLDINGS LIMITED

## Consolidated statement of financial position *as at 30 June 2026*

| | | | |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | 15 | 42,299 | 40,454 |
| Employee entitlements | 16 | 8,988 | 8,943 |
| Derivative financial instruments | 17 | 2,049 | 151 |
| Provision for tax | | 6,881 | 3,987 |
| Lease liabilities | 18 | 3,136 | 3,596 |
| Short term borrowings | 19 | 1,097 | 1,319 |
| Total current liabilities | | 64,449 | 58,450 |
| **Non-current liabilities** | | | |
| Term borrowings | 20 | 1,530,326 | 1,413,502 |
| Shareholder's advance | 21 | 112,000 | 112,000 |
| Employee entitlements | 16 | 1,117 | 1,021 |
| Other liabilities | | 4,341 | 1,191 |
| Lease liabilities | 18 | 5,311 | 7,281 |
| Derivative financial instruments | 17 | 17,517 | 19,323 |
| Deferred taxation | 4 | 138,989 | 133,749 |
| Total non-current liabilities | | 1,809,601 | 1,688,067 |
| **Equity** | | | |
| Share capital | 25 | 141,794 | 138,889 |
| Accumulated funds | 26 | 189,493 | 169,938 |
| Associate company asset revaluation reserve | 27 | 31,190 | 31,165 |
| Hedging reserve | 27 | (3,115) | 2,101 |
| Land revaluation reserves | 27 | 66,788 | 77,369 |
| Carbon credit reserve | 27 | 26,721 | 36,237 |
| Total equity | | 452,872 | 455,700 |
| **Total liabilities and equity** | | **2,326,923** | **2,202,217** |

The accompanying notes and accounting policies form an integral part of these financial statements.



## Consolidated statement of cash flows *for the year ended 30 June 2026*

| | Note | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| *Cash was provided from:* | | | |
| Receipts from customers | | 359,273 | 318,137 |
| Interest received | | 28,065 | 30,675 |
| Dividend received | | 800 | 2,568 |
| | | 388,137 | 351,380 |
| *Cash was applied to:* | | | |
| Suppliers and employees | | 235,949 | 228,767 |
| Finance costs paid | | 64,187 | 69,233 |
| Taxation paid | | 343 | 410 |
| Net GST paid/ (received) | | 539 | (2,932) |
| | | 301,018 | 295,478 |
| Net cash flow from operating activities | 31 | 87,119 | 55,902 |
| **Cash flow from investing activities** | | | |
| *Cash was provided from:* | | | |
| Sale of property, plant and equipment | | 3,347 | 615 |
| Carbon credits sold/(purchased) | | 9,426 | 5,370 |
| | | 12,773 | 5,985 |
| *Cash was applied to:* | | | |
| Purchase of property, plant and equipment | | 91,698 | 90,229 |
| Purchase of biological assets | | 2,572 | 2,565 |
| Increase in financial assets | | 73,565 | 70,565 |
| | | 167,835 | 163,359 |
| Net cash flow from investing activities | | (155,062) | (157,374) |
| **Cash flow from financing activities** | | | |
| *Cash was provided from:* | | | |
| Call on capital | | 2,905 | 2,550 |
| Loans raised | 32 | 114,333 | 110,222 |
| | | 117,238 | 112,772 |
| *Cash was applied to:* | | | |
| Lease liability repaid | 32 | 3,707 | 4,171 |
| Dividends | | 9,000 | 11,000 |
| | | 12,707 | 15,171 |
| Net cash flow from financing activities | | 104,531 | 97,601 |
| Net increase/(decrease) in cash | | 36,588 | (3,870) |
| Net foreign exchange difference | | (59) | (949) |
| Opening cash and cash equivalents | | 13,877 | 18,696 |
| **Closing cash and cash equivalents** | | **50,406** | **13,877** |

The accompanying notes and accounting policies form an integral part of these financial statements.

**REPORTING ENTITY**

The financial statements presented here are the consolidated financial statements of the Group comprising Dunedin City Holdings Ltd (the Company) and its subsidiary and associate companies.

Dunedin City Holdings Ltd is a Council Controlled Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is wholly owned by the ultimate parent of the Group, the Dunedin City Council.

The financial statements of the Dunedin City Holdings Ltd Group are for the year ended 30 June 2026.

The registered address of the Company is 50 The Octagon, Dunedin 9016.

Dunedin City Holdings Ltd is a profit orientated entity.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company and Group operate.

**STATEMENT OF COMPLIANCE**

The Group is a Tier 1 for–profit entity as defined by the External Reporting Board (expenses over $30 million) and has reported in accordance with Tier 1 For-profit Accounting Standards. These annual financial statements are general purpose financial reports which have been prepared in accordance with NZIAS1, additional information as requested by Directors, and in accordance with NZ GAAP. They comply with New Zealand Equivalents to IFRS, and other applicable Financial Reporting Standards, as appropriate for profit orientated entities.

The financial statements were authorised for issue by the directors on 25 September 2026.

**BASIS OF ACCOUNTING**

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP the entity is a for-profit entity.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain property, plant and equipment, biological assets, derivative financial instruments, financial instruments classified as available for sale and financial instruments held for trading.

The cash flows arising from advances held to Dunedin City Council are presented on a net basis, as either net investments realised or net purchase of investments in the cash flow statement.

The accounting policies have been applied consistently by Group entities.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

**BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.





On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the statement of financial performance in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of financial performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group, with the exception of the valuation of Dunedin Stadium Property's and Dunedin Railways fixed assets and the related depreciation expense.

In preparing the consolidated financial statements, all intra-Group transactions, balances, income and expenses are eliminated in full.

**CHANGES IN ACCOUNTING POLICY**

DCTL reviewed the contractual terms of LGFA borrower notes, which have historically been classified as financial assets measured at amortised cost. The review identified that there are contractual terms which could give rise to cash flows that are not solely payments of principal and interest. Accordingly, these financial assets have been reclassified and measured at fair value through profit and loss.

The impact of this change in accounting policy was assessed and determined to be immaterial to the prior year financial statements. Accordingly, no balances have been restated.

There have been no other changes in accounting policy. All policies for the current year and comparative year have been applied on a consistent basis.

**CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

In the application of NZ IFRS the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. These are based on historical experience and other various factors and are reviewed on an on-going basis.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year include:

- carrying value of the deferred tax liability (note 4);
- impairment of investments in associate companies (note 9);
- valuation of NZ carbon credits (note 11);
- valuation and impairment of intangible assets (note 11);
- valuation of biological assets (note 12);
- valuation of right of use assets and liabilities (note 13);
- valuation and impairment of property, plant and equipment including profit elimination on intra-group transactions (note 14);
- valuation of employee entitlements (note 16).
- valuation of derivative financial instruments (note 17).

The Directors believe that, as at the date of these financial statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes. However, they do make estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results.

**STANDARDS AMENDED OR ISSUED DURING THE YEAR**

There were no new or amended accounting standards which materially impacted on the financial reporting of the Group for the year ended 30 June 2026.

**STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The International Accounting Standards Board (IASB) has issued the following amendments to standards:
NZ IFRS 18 Presentation and Disclosure in Financial Statements issued in May 2024, is effective for the annual reporting periods beginning on or after 1 January 2027, and entities can early adopt this account standard. NZ IFRS 18 sets out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income, and expenses. The Group is yet to assess NZ IFRS 18's full impact. The Group will first apply the standard to 30 June 2028 financial statements.
The Companies have not yet assessed in detail the impact of these amendments.

There are no other new or revised standards issued, but not yet effective, that have a material impact on the financial reporting of the Group.

## 1 OPERATING REVENUE

**Accounting policy**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer, when the revenue can be measured reliably and when management effectively ceases involvement or control.

**The Group earns revenue from the following main sources:**

Line charges and pass-through and recoverable cost revenue is recognised at the fair value of services provided. These revenue streams relate to the provision of distribution services for electricity. Prices are regulated and customers are charged through a mix of fixed charges which are recognised on a straight line basis and variable charges which are recognised based on the volume of distribution services provided. Consistent with NZ IFRS 15 this revenue is recognised during the period in which the service is delivered.

Customer contribution revenue relates to contributions received from customers towards the costs of reticulating electricity to new connections, constructing uneconomic lines and relocating existing network assets. Revenue is generally recognised at the time the new connection is fully constructed and livened. For contracts with multiple performance obligations revenue is recognised at the point in time when each performance obligation is satisfied.





Maintenance Services revenue is derived from contracts that involve various different processes, activities and services, and includes revenue from electrical services, greenspace services and meter & related services. Where these processes and activities tend to be highly inter-related, these are taken to be one performance obligation, otherwise separate performance obligations are identified. The transaction price is allocated across each service or performance obligation based on contracted prices/schedules of rates. Revenue from maintenance services rendered is recognised in the Statement of comprehensive income in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the proportion of costs incurred to date compared to the estimated total costs of the contract. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under NZ IFRS 15. The Company becomes entitled to invoice customers on a periodic basis, at particular stages of completion or upon completion of works. The Group recognises a contract asset (Work in Progress) for any work performed and not invoiced, derived on the basis of costs incurred to date plus an estimated margin. Any amount recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the invoiced amount exceeds the revenue recognised to date under the stage of completion method, then the Company recognises a contract liability (Income in Advance) for the difference.

Electrical Services revenue is derived from the construction of electrical infrastructure assets. The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for several projects the total transaction price is allocated across each project based on stand-alone selling prices. Revenue from construction contracts is recognised over time on a cost-to-cost method i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under NZ IFRS 15. The company generally becomes entitled to invoice customers through a monthly claim based on a measure and value calculation or on a milestone basis. The customer is sent a relevant claim or statement of work, the customer assesses the claim and approves it for payment on which an invoice is raised. The Group recognises a contract asset (Work in Progress) for any work performed. Any amount recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the invoiced amount exceeds the revenue recognised to date under the cost–to–cost method, then the Group recognises a contract liability (Income in Advance) for the difference.

A small amount of Delta Utility Services Limited's contracts include performance bonuses for meeting relevant performance KPIs. In this instance the expected value of revenue is only recognised to the amount management considers it likely, measurable and recoverable. This is assessed on a periodic basis and is based on all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise.

Construction and service contracts can include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore are estimated and included in the total costs of the contracts. Where required, amounts are recognised in provisions. Where material a retention is held or a performance bond is put in place to reflect this claim/defects periods. Where material costs are incurred to obtain or fulfil a contract, these costs are held on the statement of financial position and amortised over either the life of the contract or, in the case of a construction contract, in line with the stage of completion. The Group has applied the practical expedient in paragraph B16 of IFRS 15 Revenue from Contracts with Customers, in that disclosure information regarding future performance obligations is not required as it has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of its performance completed to date.

In respect of export sales, the largest category of log sales revenue, the Group has determined that there are two performance obligations. The Group is obligated under the contract to supply the specified goods and also to arrange and pay for shipping and insurance on behalf of the customer. Control of the goods passes, and the service of arranging shipping and insurance is complete, at the point when the goods have been loaded onto a ship at the port of departure, to be delivered to the customer's chosen destination. Revenue is recognised at this point in time. In respect of domestic sales within New Zealand, control is considered to be transferred to the customer on delivery of the goods.

All venues management income is either related to an ongoing contract over a period of time (unused contracts quantified and shown as contract liabilities), or is event based. Memberships, corporate box licenses, signage and sponsorship agreements range from one year to ten years. Payment for these items has been received and recorded as income received in advance. This income is amortised as revenue on a straight-line basis over the term of the agreement.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Line charges | 155,020 | 131,641 |
| Pass-through and recoverable cost revenue | 34,323 | 28,728 |
| Customer contributions | 10,823 | 15,007 |
| Electrical services | 29,637 | 31,249 |
| Meters and related services | 20,535 | 16,639 |
| Greenspace services | 30,010 | 30,934 |
| Tree services | - | - |
| Log sales revenue | 59,320 | 57,691 |
| Reversal of Land Impairments | - | 5,037 |
| Reversal of Building Impairments | 88 | 6 |
| Reversal of Impairment of DRL property, plant and equipment, and inventories | - | 2,297 |
| Venues management income | 12,064 | 11,340 |
| Railway income | 5,130 | 3,204 |
| Covid-19 wage subsidy | - | - |
| Other operating revenue | 2,334 | 1,231 |
| Gain on sale of assets | 743 | 240 |
| | 360,026 | 335,244 |

Impact of 2021 Customised Price-Quality Path Determination on revenue recognition

The Commerce Commission's Customised Price-Quality Path Determination for Aurora Energy included a 10% limit on the annual increase in line charge revenue in order to reduce the price impact on consumers. Combined with the impact of volume driven revenue variances the revenue wash-up amount for year ended 31 March 2026 is $41.037 million (Restated 2025: $31.06 million). The 2025 revenue washup amount was adjusted downwards to $31.060 million (-$0.041 million), following an adjustment to reflect a low-value transfer of assets previously owned in Te Anau. Revenue wash-up amounts will be recovered from consumers in future financial years.





## 2 FINANCIAL INCOME

**Accounting policy**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Interest on advances to related parties | 27,584 | 27,353 |
| Interest on other investments | 462 | 1,792 |
| Gain on fair value of financial assets | 1,571 | - |
| | 29,617 | 29,145 |

## 3 SEPARATELY DISCLOSED EXPENDITURE

**Accounting policy**

At each statement of financial position date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (with the exception of Network who use a post-tax discount rate) that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previous revaluation increase for that asset (or cash generating unit) that remains in the revaluation reserve. Any additional impairment is immediately transferred to the statement of financial performance.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised as income.

Leases are classified as right-of-use assets except where lease payments that are short-term or low value are recognised as an expense on a straight-line basis over the term of the lease.

Lease liability payments are allocated between interest expense and reduction of the lease liability over the term of the lease. Capitalised right-of-use assets are depreciated over the shorter of the estimated useful life of the assets and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Bad debts written off | 313 | 51 |
| Impairment loss on valuation of land | 295 | - |
| Increase/(decrease) in expected credit losses for receivables | (250) | (70) |
| Donations | 26 | 29 |
| Rental expense on leases | 374 | 794 |
| Research expenditure | 65 | 129 |
| Transmission costs on the energy network | 34,323 | 28,728 |
| Maintenance costs on the energy network | 4,950 | 5,103 |
| Cost of bush applied | 11,333 | 10,664 |
| Contractor costs | 26,660 | 22,793 |
| Subcontractor costs | 26,405 | 24,976 |
| Shipping costs | 18,474 | 17,762 |
| Loss on sale of assets | 3,167 | 2,143 |
| Other expenditure | 46,436 | 46,714 |
| Expenditure on continuing activities | 172,571 | 159,815 |
| | | |
| Audit fees | | |
| Audit of the financial report | 1,000 | 961 |
| Audit of the financial report - previous year | 33 | 44 |
| | | |
| Audit or review related services | | |
| Assurance engagement for the information disclosure | 65 | 62 |
| Assurance engagement for the annual compliance statement in compliance with the customised price-quality path determination | 38 | 52 |
| Assurance engagement for the annual delivery report | 59 | 59 |
| Commerce comission additional information request assurance services | 15 | - |
| Total audit fees | 1,211 | 1,178 |

**Accounting policy**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare them for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The interest rate used to calculate borrowing costs in the year to 30 June 2026 was 4.05% (2025: 4.28%). This was the interest rate applicable to new project financing in the reporting period.

All borrowing costs are recognised in the statement of comprehensive income using the effective interest rate method.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Financial expenses | | |
| Interest - related parties | 5,937 | 5,964 |
| Interest - term loans | 58,116 | 59,552 |
| Interest - capitalised | (1,380) | (1,440) |
| Interest - leased assets | 330 | 388 |
| Net loss on foreign currency transactions | 59 | 949 |
| Total financial expenses | 63,062 | 65,413 |





**4 TAXATION**

**Accounting policy**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of financial performance because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the statement of financial position date.

**Income Tax**

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Operating profit/(loss) | 32,778 | 26,935 |
| | | |
| Tax thereon at 28% | 9,178 | 7,542 |
| Plus/(Less) the tax effect of differences | | |
| Revenue not liable for taxation | (24) | (1,411) |
| Expenditure not deductible for taxation | 3,317 | 2,901 |
| Tax losses to be utilised | - | - |
| Under/(over) tax provision in prior years | (1,544) | (397) |
| Group recognition of deferred tax in current year | 0 | (433) |
| Removal of tax depreciation on commercial buildings | 23 | (3) |
| Deferred tax differences on network asset value | - | - |
| Other | 41 | (700) |
| Taxation charge | 10,991 | 7,498 |
| Effective tax rate | 33.5% | 27.8% |
| | | |
| The taxation charge is represented by: | | |
| Current tax provision | 6,884 | 3,154 |
| Deferred tax provision | 6,441 | 7,958 |
| Under/(over) tax provision in prior years | (3,626) | (3,215) |
| Under/(over) deferred tax in prior years | 1,293 | (400) |
| | 10,991 | 7,498 |
| | | |
| Tax expense continuing activity | 10,991 | 7,498 |
| | 10,991 | 7,498 |

Income tax benefits arising from the ability of companies within the Group to offset against their taxable profit the income tax losses generated by Dunedin City Holdings Limited are recognised as an income tax benefit in Dunedin City Holdings Limited.

Dunedin City Holdings Limited, Aurora Energy Limited, Delta Utility Services Limited, the Dunedin City Council, City Forests Limited are members of an income tax consolidated Group. The income tax consolidated Group is taxed as a single entity and each member is jointly and severally liable for the Group's income tax liability, except to the extent that members of the group elect to limit this liability.

Dunedin City Holdings Limited, as a member of the income tax consolidated Group, has access to the Group's imputation credit account. After taking into account imputation credits attached to accrued dividends and known income tax payments/refunds, Dunedin City Holdings Limited has direct access to consolidated Group imputation credits that relate to 30 June 2026 and earlier years which will be available for use in subsequent reporting periods totalling $19,747,688 (2025: $19,436,431).

**Accounting policy**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.



Notes to the consolidated financial statements *for the year ended 30 June 2026*

**Deferred tax**

| | $'000 *Opening Balance* | $'000 *Charged to Equity* | $'000 *Charged to Income* | $'000 *Closing Balance Assets* | $'000 *Closing Balance Liabilities* | $'000 *Closing Balance Net* |
|---|---|---|---|---|---|---|
| **2026** | | | | | | |
| Property, plant and equipment & intangibles | 64,226 | - | 10,402 | - | 74,630 | 74,630 |
| Provisions | 10,591 | - | 507 | (448) | 11,544 | 11,096 |
| Tax losses | (9,200) | - | 1,894 | (7,334) | 28 | (7,306) |
| Forest | 40,551 | - | (2,752) | - | 37,799 | 37,799 |
| Forest costs capitalised | 12,888 | - | 269 | - | 13,157 | 13,157 |
| Carbon credits and other Investments | 13,928 | (1,062) | (2,626) | (136) | 10,377 | 10,240 |
| Hedge reserve – foreign exchange contracts | 588 | (1,235) | - | (647) | - | (647) |
| Hedge reserve – interest rate swaps | 177 | (198) | 41 | 20 | 0 | 20 |
| Balance at the end of the year | 133,749 | (2,495) | 7,734 | (8,546) | 147,535 | 138,989 |
| **2025** | | | | | | |
| Property, plant and equipment & intangibles | 58,840 | - | 5,388 | - | 64,226 | 64,226 |
| Provisions | 9,423 | - | 1,166 | (3,515) | 14,106 | 10,591 |
| Tax losses | (9,968) | - | 768 | (9,200) | - | (9,200) |
| Forest | 40,961 | - | (410) | - | 40,551 | 40,551 |
| Forest costs capitalised | 12,246 | - | 642 | - | 12,888 | 12,888 |
| Carbon credits and other Investments | 12,336 | 1,581 | 11 | (151) | 14,080 | 13,928 |
| Hedge reserve – foreign exchange contracts | 31 | 557 | - | - | 588 | 588 |
| Hedge reserve – interest rate swaps | 8,116 | (7,932) | (7) | 20 | 157 | 177 |
| Balance at the end of the year | 131,985 | (5,794) | 7,559 | (12,847) | 146,596 | 133,749 |

## 5 CASH AND CASH EQUIVALENTS

**Accounting policy**

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Cash and cash equivalents | 50,406 | 13,877 |

The carrying amount of these assets approximates their fair value.

Short-term deposits are made at call deposit rates.

The credit risk on liquid funds is limited as the banks used are banks with high credit ratings assigned by international credit rating agencies.

## 6 OTHER FINANCIAL ASSETS

**Accounting policy**

Related party advances and LGFA borrower notes are recognised and derecognised on trade date. Related party advances are measured at amortised cost. LGFA borrower notes are measured at fair value.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Related Party Advances: | | |
| Maturity one to five years | - | - |
| Maturity over five years | 711,500 | 650,500 |
| | 711,500 | 650,500 |
| Shares and units in other companies and funds | 42 | 28 |
| LGFA borrower notes | 28,821 | 14,750 |
| Total other non current financial assets | 740,363 | 665,278 |





**Related Party Advances**

The advances (above) due from the Dunedin City Council had a weighted average interest rate of 4.02% (2025: 4.28%). The advances are evergreen and the carrying amount approximates their fair value. There have been no indications of impairment relating to the advances.

Related party advances are reported at amortised cost as at 30 June 2025 and 30 June 2024. The Group has reviewed the terms of its related party advances and concluded that, as at 30 June 2025, the advances are held to collect contractual cash flows, and those cash flows are solely payments of principal and interest, as defined by NZ IFRS 9 Financial Instruments.

At 30 June 2024, cash flows did not meet the definition of 'solely payments of principal and interest' under NZ IFRS 9, which required reporting at fair value. However, the directors elected to report related party advances at amortised cost for both periods, as this approach provides greater clarity for users of the financial statements:

- Recognising unrealised gains or losses on fair value would have given rise to significant volatility year on year.
- Such gains or losses would never be realised since all advances are held to collect and there are no foreseeable circumstances in which they would be sold.

In order to comply with the requirements of NZ IFRS 9, the Group should have reported related party advances at fair value at 30 June 2024. When the contractual terms were changed during the 2025 financial year, the existing financial assets measured at fair value should have been derecognised and new instruments recognised and classified as held at amortised cost. Fair value movements until the date of derecognition and a gain or loss on derecognition would have been recognised, which would have resulted in an unrealised net fair value gain of $21.4 million in profit and loss for the year ended 30 June 2025.

**Shares and units in other companies and funds**

The investments included above represent investments in listed equity securities that offer the group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

## 7 TRADE AND OTHER RECEIVABLES

**Accounting policy**

Trade and other receivables are financial instruments that are measured at amortised cost using the effective interest method less any allowances for estimated irrecoverable amounts.

All past due balances are considered collectable, however in line with NZ IFRS 9 the Group applies a simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure credit losses, trade receivables are grouped based on similar credit risk and aging. The expected loss rates factor in the credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for where necessary based on current and forward-looking macroeconomic factors affecting the Group's customers.

Work in progress is stated at estimated realisable value, after providing for non-recoverable amounts. Work in progress represents work from contracts which has been performed, but which is unable to be billed as the right to consideration remains conditional.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer and the performance obligations have been satisfied. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable and where the Group believes the identified performance obligations have been satisfied. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

| | 2026<br>$'000 | 2025<br>$'000 |
|---|---|---|
| Trade receivables | 34,427 | 32,268 |
| Expected credit loss | (320) | (573) |
| Work in progress | 4,218 | 2,844 |
| | 38,325 | 34,539 |
| Due from related parties: | | |
| Dunedin City Council | 8,588 | 7,728 |
| | 8,588 | 7,728 |
| Other receivables | | |
| Other current receivables | 354 | 1,674 |
| | 47,268 | 43,940 |

The directors consider that the carrying amount of the trade and other receivables approximates their fair value.

A summary of all receivables impaired or otherwise, is included at Note 22. The estimated doubtful debts provision relates entirely to the general provision for estimated credit loss.

| | 2026<br>$'000 | 2025<br>$'000 |
|---|---|---|
| Opening doubtful debts provision | (573) | (648) |
| Additional provisions made during the year | (61) | 21 |
| Receivables written off during the year | 313 | 51 |
| Provisions reversed during the year | 1 | 3 |
| Closing doubtful debts provision | (320) | (573) |





## 8 INVENTORIES

**Accounting policy**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

| | 2026<br>$'000 | 2025<br>$'000 |
|---|---|---|
| Raw materials and stores | 8,746 | 7,227 |
| Finished goods | 23 | 25 |
| | 8,769 | 7,252 |

## 9 INVESTMENTS IN ASSOCIATE COMPANIES

**Accounting policy**

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the consolidated statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited to the statement of financial performance in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

The financial statements include the investment in entities over which the Group is in a position to exercise significant influence (associates) at the cost of the acquisition.

| Name of entity (principal activities, place of business) | 2026<br>Interest held | 2025<br>Interest held |
|---|---|---|
| Dunedin International Airport Limited (Transport, Momona NZ) | 50% | 50% |

For the purpose of applying the equity method of accounting, the financial statements of Dunedin International Airport Limited for the year ended 30 June have been used.

The associate companies is not listed and therefore there are no published price quotations to establish the fair value of the investment.

There are no contingent liabilities arising from the group's involvement in the associate company.

*Set out below is the summarised financial information of associates which are accounted for using the equity method:*

| | Dunedin International Airport Limited As at 30 June | |
|---|---|---|
| | 2026 | 2025 |
| **Summarised statement of financial position** | **$'000** | **$'000** |
| Current assets | | |
| Cash and cash equivalents | 281 | 1,534 |
| Other current assets | 2,271 | 2,438 |
| Total current assets | 2,552 | 3,972 |
| Non-current assets | 152,726 | 138,926 |
| Total assets | 155,278 | 142,898 |
| Current liabilities | 6,076 | 6,242 |
| Non-current liabilities | | |
| Financial liabilities | 30,200 | 17,750 |
| Other financial liabilities | 23,243 | 23,251 |
| Total-non current liabilities | 53,443 | 41,001 |
| Total liabilities | 59,519 | 47,243 |
| Net assets | 95,759 | 95,655 |
| Less Impairment | - | - |
| Other adjustments | (46) | (46) |
| Net assets after impairment and other adjustments | 95,713 | 95,609 |
| Carrying value of associates 50% | 47,857 | 47,805 |
| **Summarised statement of comprehensive income** | | |
| Revenue (excl interest received) | 24,704 | 23,692 |
| (Loss)/Gain on investment and sale of PPE | 89 | 155 |
| Interest and Dividends received | 231 | 239 |
| Total Revenue | 25,024 | 24,086 |
| Less expenses | | |
| Depreciation and amortisation | 6,302 | 4,868 |
| Interest expense | 950 | 589 |
| Other expenses | 15,442 | 12,457 |
| Total expenses | 22,694 | 17,914 |
| Operating profit/(loss) before tax | 2,330 | 6,172 |
| Income tax | 677 | 1,570 |
| Operating profit/(loss) after tax | 1,653 | 4,602 |
| Other comprehensive income | 51 | 7,504 |
| Total comprehensive income/(deficit) | 1,704 | 12,106 |
| Dividends received from associate | 800 | 2,568 |





**10 INVESTMENTS IN SUBSIDIARY COMPANIES**

| **Parent company** | 2026 Interest held | 2025 Interest held |
|---|---|---|
| Name of entity (principal activities) | | |
| City Forests Limited (Forestry) | 100% | 100% |
| Dunedin City Treasury Limited (Finance) | 100% | 100% |
| Aurora Energy Limited (Energy) | 100% | 100% |
| Dunedin Railways Limited (Rail tourism) | 100% | 100% |
| Delta Utility Services Limited (Contractor and Asset Manager) | 100% | 100% |
| Dunedin Stadium Property Limited (Stadium ownership) | 100% | 100% |
| Dunedin Venues Management Limited (Events) | 100% | 100% |

All subsidiary companies have balance dates of 30 June.

Estimates of the recoverable amounts supporting the carrying amounts of the investments in these subsidiary companies have been based on their future estimates of revenue, expenditure and cash flows.

It is possible a commercial based valuation of the Dunedin Stadium Property Limited assets (Forsyth Barr Stadium) could be materially lower than the carrying value recorded in the Group's statement of financial position. The stadium is a unique asset with no active market to make a reasonable assessment of fair value between a willing buyer and seller. Whilst it is possible to identify certain cash flows with stadium assets, its primary purpose is to provide public benefit for which there are limited or no directly attributable cash flows within the Group. As such, the nature of existing cash flows within the Group do not necessarily represent commercial cash flows for the purposes of undertaking a discounted cash flow calculation to assess fair value. These factors mean that establishing a commercial value using a market value or discounted cash flow approach involves significant assumptions and estimates which would be highly uncertain. As a result, the Group is not able to reasonably assess the value of the acquired stadium assets on a commercial basis and consequently are also unable to determine the amount of the adjustment required. Any adjustment required to the stadium assets would be adjusted directly in equity.

**11 INTANGIBLE ASSETS**

**New Zealand Carbon Credits**

**Accounting policy**
Carbon credits held are treated as intangible assets.

Purchased carbon units are initially measured at cost.

Carbon units are granted by the Government under the emissions trading scheme for carbon sequestration by post-1989 forests. Although some carbon units earned for forest growth will subsequently be returned to the government when the forest is harvested, a proportion of units will never be returned under expected forest crop rotations.

All units allocated by government are initially measured at nil. Those units that are not required to be held to be surrendered to meet future harvest liabilities, are subsequently valued at fair value.

Carbon units that are held to be surrendered to meet future harvest liabilities, are measured at nil.

Liability free carbon units are marked to market (revalued) regularly as required, and at 30 June subsequent to initial recognition. This fair value is based on current market prices. The difference between initial fair value or previous annual revaluation and revaluation value of the liability free units is recognised in other comprehensive income.

The carbon credit valuation is based on market data and falls within Level 1 of the fair value hierarchy.

NZUs are revalued prior to disposal to fair value based on current market prices. The gain or loss arising from derecognition is determined as the difference between net proceeds and the carrying amount of the units.

Emissions obligations are recognised for forest harvesting that has occurred up to balance date. Emissions obligations are measured based on the carrying value of carbon units held by the Group that will be used to settle the obligation (generally nil value) plus the fair value of any excess carbon units required to be purchased to meet the emissions obligation.

The New Zealand Emissions Trading Scheme was enacted under the Climate Change Response Amendment Act 2008 and was made into law on 26th September 2008.

A forest owner with forests established after 31st December 1989, under the Act, may opt to join the Emissions Trading Scheme. Post-89 forests will earn carbon credits (NZU's) from 1st January 2008 and these may be traded within New Zealand. City Forests Limited completed registration of initial post-89 forests under the Emissions Trading Scheme in January 2010. These forests and those forests acquired after that date have been sequestering carbon under the scheme since 1st January 2008. Subsequent to our Post-89 registration, the New Zealand Government has allocated City Forests 2,865,718 Post-89 derived NZU's, being the carbon sequestered by these forests during the 2008 to 2020 calendar years. There were carbon credit sales for the financial year of 200,000 units. (2025 100,000 units).

The carbon credits are assessed as having an indefinite life as they have no expiry date. As the NZUs are an indefinite life intangible asset they are not amortised but are tested for impairment on an annual basis or when indications of impairment exist.

As at 30th June 2026, 1,052,206 units were unsold (2025 1,239,750 units). Under the accrual principle, safe carbon level credits have been valued based on the current market prices. The value has been carried in the financial statements as follows:

| | **Year ending 30 June 2026 $'000** | **Year ending 30 June 2025 $'000** |
|---|---|---|
| Balance at the beginning of the year | 51,353 | 45,776 |
| Plus revaluations | (4,166) | 6,832 |
| Plus/(less) change in value of safe carbon harbor units | 375 | 4,115 |
| Less disposals | (9,426) | (5,370) |
| Plus additiona/allocations | 65 | - |
| New Zealand carbon credits - non current | 38,201 | 51,353 |

In future years there will be a carbon credit liability against a proportion of the carbon credits sequestered from post-1989 forest areas registered in the "Stock Change" system in accordance with New Zealand Emissions Trading Scheme Regulations. A proportion of Carbon sequestered from Post-1989 areas will have to be surrendered to compensate for the carbon liability generated from harvesting those forest areas.





The group carries out modelling work to forecast future annual carbon sequestration and emission transactions in accordance with the rules of the New Zealand Emissions Trading Scheme. This modelling establishes a safe or liability free carbon level being the number of NZU's the Group has available for sale liability free. NZU's held above this safe level effectively have no value as the NZU's are subject to future surrender liabilities following harvest. The safe carbon level is a management estimate based on the company's current official FMA (Forestry Management Approach) yield tables, and a City Forests' specific harvest schedule of Carbon Accounting Areas (CAAs) when managed in perpetuity. The estimate assumes ETS land eligibility for areas not yet registered. The modelling is independently reviewed by Indufor.

The recognition of NZU's held in the Group's registry account is defined by accounting policy.

| ***NZU's # of units at end of year*** | **Year ending 30 June 2026** | **Year ending 30 June 2025** |
|---|---|---|
| Held At Fair value | 700,937 | 881,597 |
| Held at Nil value | 351,269 | 358,153 |
| **Total Units at end of year** | 1,052,206 | 1,239,750 |
| ***Units – Post 1989*** | | |
| Opening | 1,239,750 | 1,338,370 |
| Credits Issued | 5,953 | - |
| Per Emissions Trading Register | 1,245,703 | 1,338,370 |
| Units acquired | 6,503 | - |
| Units sold | (200,000) | (98,620) |
| Fair Value NZUs | 1,052,206 | 1,239,750 |
| ***Units – Pre 1990*** | | |
| Opening balance | - | 1,380 |
| Acquired | - | (1,380) |
| Closing balance at end of year | - | - |
| Closing balance all units at end of year | 1,052,206 | 1,239,750 |
| Less Units at Nil value | (351,269) | (358,153) |
| **Risk Free Units** | 700,937 | 881,597 |

| | **$'000** | **$'000** |
|---|---|---|
| Value applied to risk free units @ $54.50 (2025: $58.25) | 38,201 | 51,353 |

The price of the risk-free units is determined by the NZU spot price on the "Carbon Match" trading platform as at 30 June.

The price is sensitive to economic factors that can lead to sudden significant price swings. The Group has a full policy on NZU management and manages the risk around price swings by maintaining a NZU holding as a percentage of Net Assets, constantly monitoring and reporting on current price/trends of NZUs and ensuring action if any quantitative trigger points occur in terms of upper/lower value thresholds.

The risk-free number of NZUs are determined by forest estate modelling of the groups' forest growth and forecast harvest profile. This generates forecast future annual carbon sequestration and harvest liability transactions in accordance with the rules of the New Zealand Emissions Trading Scheme.

The time period that a NZU is held at nil value to meet future harvest liabilities is from balance date to the projected low point in the Group's carbon modelling.

The calculation of Safe carbon is a management estimate based on the best information available at 30 June. The calculation is dependent on assumptions made in;

• the formation of the future harvest plan,

• an assumption of no change to the current FMA carbon yield tables, and

• an estimation of carbon to be derived from a proportion of the post-89 forest area currently un-registered. This is new land either in the registration process or pending registration following planting.

All of these variables are expected to change over time. The calculation is most sensitive to the harvest plan assumptions and the harvest plan can be expected to be modified over time as the forest harvest program is managed to meet market and supply chain operational constraints.

**Other intangible assets**

**Accounting policy**
Other intangible assets is largely software which is recognised at cost and amortised on a straight-line basis over its estimated useful life which is a maximum period of ten years.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Cost | | |
| Opening balance | 16,433 | 15,463 |
| Purchases | 468 | 1,016 |
| Transfers | - | - |
| Disposals | - | (46) |
| Total cost | 16,901 | 16,433 |
| Accumulated amortisation | | |
| Opening balance | 10,827 | 8,097 |
| Amortisation | 3,051 | 2,773 |
| Transfers | - | - |
| Disposals | - | (42) |
| Total amortisation | 13,877 | 10,827 |
| Closing balance | 3,023 | 5,606 |

Software assets of $0.270 million (2025: $2.796 million) are the subject of a debenture held as security for the DCTL borrowings on behalf of the DCC consolidated group.





**12 BIOLOGICAL ASSETS**

**Accounting policy**
The group capitalises the initial costs for the establishment of the biological assets and all subsequent costs. These costs include site preparation, establishment, releasing, fertilising, and tending.
The fair value of the biological assets, exclusive of the forest land, is determined at each reporting date. Fair value is determined using the discounted cash flow methodology and in using this method, financing costs and replanting costs are excluded. The method first determines the current market value of the collective forest and land resource, with land then subtracted at its current market value to provide the value of the biological assets. The biological assets valuation is based on unobservable inputs and falls withing Level 3 of the fair value hierarchy.

The valuation takes into account changes in price over the accounting period through a graduated current to five year average price curve as well as the quantity of trees harvested and the growth that has occurred in the forest. Any change in forest valuation is recorded in the statement of comprehensive income via profit or loss.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Balance at the beginning of the year | 210,105 | 210,248 |
| Add costs capitalised in establishing forests during the year | 2,945 | 3,108 |
| Increase in forest from acquisition | - | - |
| Biological assets revaluation | 66 | 7,422 |
| Less cost of trees harvested at fair value | (11,333) | (10,673) |
| Balance at the end of the year | 201,783 | 210,105 |

The Directors of City Forests Limited revalue its biological assets annually as at 30 June, and the Group adopts that value.

The valuation methodology used establishes the fair value of the biological assets and an independent market value has been used to establish the forest land value. The change in the value of the biological assets from year to year is reflected in the statement of comprehensive income.

Fair value is determined by calculating the present value of expected net cash flows using a pre-tax discount rate. This discount rate used by the Group is 6.4% (2025 6.4%).

The biological assets valuation is subject to a number of assumptions. The ones with the most significant volatility or impact on the valuation are the discount rate applied and log prices adopted. The discount rate adopted was 6.4% (2025 6.4% pre-tax); a +/- 50 basis point movement in the discount rate would change the valuation by +$19.3 mil / -$16.3 mil (2025 +$13.1 mil / -$11.9 mil). A 10% increase or decrease in assumed log prices would change the valuation by +$9.4 mil / -$9.2 mil (2025 +$16.4 mil / -$16.4 mil) (note that these sensitivities as shown are independent and a different outcome would result from combined changes in discount and log prices).

At 30 June 2026 the Group owned stands of trees on 20,103 hectares of a total productive land within a total area of land holdings (including freehold, lease, Joint Venture & Forestry Right) of 25,220 hectares. During the year the group harvested approx. 409,407 m3 of wood from its forests.

City Forests Limited is exposed to financial risks associated with USD log price. This risk is managed through its financial management policy described within note 22, Financial Risk. City Forests Limited is a long-term forestry investor that expects log prices to fluctuate within a commodity cycle. It is not possible to hedge against 100% of the price cycle but the company does manage harvest volumes to minimise the impact of the commodity price cycle over the longer term.

During the 2026 financial year, a significant wind event impacted areas of the Company's forestry estate. As a result, the Company has lodged four adverse event pause applications with the Ministry of Primary Industries under the New Zealand Emissions Trading Scheme. As at 30 June 2026, the applications remained under assessment and the timing and outcome of any decisions were uncertain. Accordingly, no adjustment has been made to the Company's biological asset valuation for any potential impact arising from those applications beyond currently scheduled harvest activity.

The valuer of the forestry asset is an employee of City Forests who has a Bachelor of Business Management, a Masters in Forestry Science and is a member of the New Zealand Institute of Forestry. He has the appropriate knowledge and the skills to complete the valuation.

**Change in valuation methodology**
During the year ended 30 June 2026, the Company adopted a revised valuation methodology for its biological assets using a multi-rotation discounted cash flow model. Management and Board concluded that the revised methodology provides a more representative measure of fair value as it incorporates multiple harvest rotations and a longer-term assessment of expected cash flows from the forestry. The change was made following improvements in valuation modelling capability and the availability of information supporting a multi-rotation assessment of value.

The Company continues to measure biological assets at fair value less costs to sell in accordance with NZ IAS 41 Agriculture. The revised methodology represents a change in valuation technique used to estimate fair value rather than a change in accounting policy. The valuation remains classified as a Level 3 fair value measurement under NZ IFRS 13 Fair Value Measurement.

Management considers the revised methodology is inherently more detailed in its analysis of inputs and only represents a change in accounting estimate arising from a change in valuation technique. Consistent with NZ IFRS 13.66, changes in valuation techniques are accounted for as changes in accounting estimates in accordance with NZ IAS 8. The effects of the revised methodology have therefore been recognised prospectively in the current reporting period.

Comparative information has not been restated. The previous valuation methodology was based on a materially different approach and was not capable of generating equivalent multi-rotation outputs. As a result, management was unable to reliably recreate comparable prior-period valuations using the revised methodology.

A peer review of the valuation process and key inputs was conducted by Indufor Asia Pacific. The peer review did not seek to complete examination of financial records or confirm derivation of input costs, price assumptions or review the harvest strategy or allocation assumptions for applicability to the business. The peer review confirmed subject to the inputs and assumptions being correct, the valuation is calculated correctly.





**13 RIGHT-OF-USE ASSETS**

**Accounting policy**
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:
- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Group has the right to direct the use of the asset.

The right-of-use asset is recognised at the present value of lease payments, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus, where applicable, any indirect costs incurred and an estimate of costs to dismantle or/and remove the asset or reinstate/restore the asset or the site where it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful lives of the assets are determined on the same basis as those of property, plant and equipment. In addition, the asset is periodically reviewed for impairment.

Also see Note 18 Lease liabilities, for more information.

| | Land & Buildings $'000 | Plant & Equipment $'000 | Motor Vehicles $'000 | Total $'000 |
|---|---|---|---|---|
| **2026** | | | | |
| Cost or valuation | | | | |
| Balance at the beginning of the year | 9,475 | 3,387 | 15,065 | 27,926 |
| Purchases | 1,004 | 183 | 232 | 1,419 |
| Sales | (475) | - | (2,262) | (2,737) |
| Balance at the end of the year | 10,004 | 3,569 | 13,034 | 26,608 |
| Accumulated depreciation | | | | |
| Balance at the beginning of the year | 4,668 | 2,123 | 10,746 | 17,537 |
| Depreciation | 1,398 | 299 | 1,893 | 3,590 |
| Sales | (325) | - | (2,264) | (2,588) |
| | 5,742 | 2,422 | 10,376 | 18,539 |
| Balance at the end of the year | 4,263 | 1,147 | 2,659 | 8,068 |
| **2025** | | | | |
| Cost or valuation | | | | |
| Balance at the beginning of the year | 7,734 | 3,283 | 14,898 | 25,915 |
| Purchases | 2,258 | 104 | 518 | 2,880 |
| Sales | (518) | - | (352) | (869) |
| Balance at the end of the year | 9,475 | 3,387 | 15,065 | 27,926 |
| Accumulated depreciation | | | | |
| Balance at the beginning of the year | 3,909 | 1,827 | 8,649 | 14,385 |
| Depreciation | 1,185 | 296 | 2,449 | 3,930 |
| Sales | (426) | - | (352) | (778) |
| | 4,668 | 2,123 | 10,746 | 17,537 |
| Balance at the end of the year | 4,807 | 1,263 | 4,319 | 10,389 |

## 14 PROPERTY, PLANT AND EQUIPMENT

**Accounting policy**

Property, plant and equipment are those assets held by the Group for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment, apart from forestry land, is stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statement of financial position date.

Any revaluation increase is credited to the appropriate revaluation reserve, except to the extent that it reverses a revaluation decrease previously recognised as an expense, in which case the increase is credited to the statement of financial performance to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Self-constructed assets include the direct cost of construction to the extent that they relate to bringing the fixed assets to the location and condition for their intended service.

Depreciation is charged so as to write off the cost or valuation of assets, other than land, forestry land, properties under construction and capital work in progress, on the straight-line basis. Rates used have been calculated to allocate the assets cost or valuation less estimated residual value over their estimated remaining useful lives.

Depreciation of these assets commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation on revalued assets, excluding land, is charged to the statement of financial performance. On the subsequent sale or retirement of a revalued asset, the attributable revaluation profit remaining in the appropriate property revaluation reserve is transferred directly to accumulated funds.

Assets held under finance leases are depreciated.

The Group has had its land assets independently valued at 30 June 2026 by Morice Limited using the Fair Value approach. Morice Limited is a valuation company used by various other forestry companies. The revaluation movement in the land for the year ended 30 June 2026 was an decrease of $10,563k (devalue to reserve of $10,268k plus net impairments of $295k) (2025 increase of $31,686k). The market value of land decreased during the year reflecting an updated area statement of productive areas. All other asset classes are shown at cost.





Depreciation rates and methods used by all companies except for City Forests Limited are as follows:

| | *Rate* | *Method* |
|---|---|---|
| Buildings | 1% to 21% | Straight Line |
| Metering equipment | 7% to 10% | Straight Line |
| Electricity network assets | 1% to 20% | Straight Line |
| Plant and equipment | 1% to 70% | Straight Line |
| Motor vehicles | 5% to 33% | Straight Line |
| Railway assets | 1% to 50% | Straight Line |
| Office equipment and fittings | 4% to 71% | Straight Line |
| Construction in progress | no depreciation | |

Depreciation rates and methods used by City Forests Limited are as follows:

| | *Rate* | *Method* |
|---|---|---|
| Buildings | 2% to 5% | Straight Line |
| Roads | 5% to 24% | Diminishing Value |
| Bridges | 2% to 2.4% | Diminishing Value |
| Plant and equipment | 6% to 80.4% | Diminishing Value |
| Fences | 10% to 13% | Diminishing Value |
| Motor vehicles | 9.6% to 36% | Diminishing Value |
| Office equipment | 10% to 60% | Diminishing Value |
| Forestry land | no depreciation | |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

Property, plant and equipment assets of $956.542 million (2025: $881.176 million) are the subject of a debenture held as security for the DCTL borrowings on behalf of the DCC consolidated group.

DUNEDIN CITY HOLDINGS LIMITED



**Property, plant and equipment**

| 2026 | Land | Forest Land | Buildings | Roads Bridges | Network | Plant Equipment | Sub-Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cost or valuation | | | | | | | |
| Balance at the beginning of the year | 39,359 | 125,279 | 156,563 | 11,073 | 1,042,518 | 98,538 | 1,473,330 |
| Purchases | - | 481 | 747 | 257 | - | 940 | 2,426 |
| Revaluation | - | (10,268) | - | - | - | - | (10,268) |
| Sales | - | - | - | - | (1,773) | (332) | (2,105) |
| Impairment | - | - | - | - | - | - | - |
| Transfers | 188 | - | 14,958 | - | 81,746 | 860 | 97,753 |
| Balance at the end of the year | 39,547 | 115,492 | 172,268 | 11,330 | 1,122,491 | 100,006 | 1,561,135 |
| Accumulated depreciation | | | | | | | |
| Balance at the beginning of the year | - | 1,220 | 42,660 | 5,887 | 283,694 | 76,090 | 409,552 |
| Depreciation | - | - | 3,444 | 263 | 25,187 | 4,492 | 33,385 |
| Impairment | - | 295 | - | - | - | - | 295 |
| Sales | - | - | (2) | - | (8) | (318) | (328) |
| Transfers | - | - | (14) | - | - | - | (14) |
| | - | 1,515 | 46,088 | 6,150 | 308,873 | 80,264 | 442,890 |
| Balance at the end of the year | 39,547 | 113,977 | 126,180 | 5,180 | 813,618 | 19,742 | 1,118,245 |
| Comprising: | | | | | | | |
| Cost | 39,547 | - | 126,180 | 5,180 | 813,618 | 19,742 | 1,004,267 |
| Valuation | - | 113,977 | - | - | - | - | 113,977 |
| Total | | | | | | | 1,118,245 |

| 2026 | Sub-Total | Motor Vehicles | Office Equipment | Locomotives | Railway Track | Work in Progress | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cost or valuation | | | | | | | |
| Balance at the beginning of the year | 1,473,330 | 34,245 | 2,311 | 5,552 | 1,109 | 47,706 | 1,564,253 |
| Purchases | 2,426 | 2,129 | 169 | 9 | 7 | 85,901 | 90,641 |
| Revaluation | (10,268) | - | - | - | - | - | (10,268) |
| Sales | (2,105) | (2,204) | - | - | - | - | (4,309) |
| Impairment | - | - | - | - | - | - | - |
| Transfers | 97,753 | 758 | 34 | (15) | - | (99,446) | (917) |
| Balance at end of year | 1,561,135 | 34,928 | 2,514 | 5,546 | 1,116 | 34,161 | 1,639,399 |
| Accumulated depreciation | | | | | | | |
| Balance at the beginning of the year | 409,552 | 24,588 | 1,405 | 4,140 | 212 | 151 | 440,048 |
| Depreciation | 33,385 | 1,815 | 171 | 230 | 24 | - | 35,626 |
| Impairment | 295 | - | - | - | - | - | 295 |
| Sales | (328) | (2,080) | - | - | - | - | (2,408) |
| Transfers | (14) | - | - | - | - | - | (14) |
| | 442,890 | 24,323 | 1,577 | 4,370 | 236 | 151 | 473,547 |
| Balance at the end of the year | 1,118,245 | 10,605 | 937 | 1,176 | 880 | 34,010 | 1,165,852 |
| Comprising: | | | | | | | |
| Cost | 1,004,267 | 10,605 | 937 | 1,176 | 880 | 34,010 | 1,051,875 |
| Valuation | 113,977 | - | - | - | - | - | 113,977 |
| Total | | | | | | | 1,165,852 |



**Notes to the consolidated financial statements** *for the year ended 30 June 2026*

**Property, plant and equipment**

| 2025 | Land | Forest Land | Buildings | Roads Bridges | Network | Plant Equipment | Sub-Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cost or valuation | | | | | | | |
| Balance at the beginning of the year | 39,131 | 98,305 | 156,050 | 10,680 | 956,300 | 96,214 | 1,356,681 |
| Purchases | - | 8 | 48 | 393 | 216 | 983 | 1,648 |
| Revaluation | - | 26,649 | - | - | - | - | 26,649 |
| Sales | - | - | - | - | (3,180) | (430) | (3,610) |
| Impairment | - | - | 21 | - | - | 887 | 908 |
| Transfers | 228 | 317 | 443 | - | 89,182 | 883 | 91,053 |
| Balance at the end of the year | 39,359 | 125,279 | 156,563 | 11,073 | 1,042,518 | 98,538 | 1,473,330 |
| Accumulated depreciation | | | | | | | |
| Balance at the beginning of the year | - | 6,257 | 39,428 | 5,624 | 261,457 | 70,445 | 383,211 |
| Depreciation | - | - | 3,220 | 263 | 23,774 | 5,211 | 32,469 |
| Impairment | - | (5,037) | 12 | - | - | 833 | (4,192) |
| Sales | - | - | - | - | (1,537) | (399) | (1,936) |
| Transfers | - | - | - | - | - | - | - |
| | - | 1,220 | 42,660 | 5,887 | 283,694 | 76,090 | 409,552 |
| Balance at the end of the year | 39,359 | 124,059 | 113,903 | 5,186 | 758,823 | 22,449 | 1,063,778 |
| Comprising: | | | | | | | |
| Cost | 39,359 | - | 113,903 | 5,186 | 758,823 | 22,449 | 939,719 |
| Valuation | - | 124,059 | - | - | - | - | 124,059 |
| Total | | | | | | | 1,063,778 |

| 2025 | Sub-Total | Motor Vehicles | Office Equipment | Locomotives | Railway Track | Work in Progress | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cost or valuation | | | | | | | |
| Balance at the beginning of the year | 1,356,681 | 32,933 | 2,162 | 201 | 12 | 48,679 | 1,440,668 |
| Purchases | 1,648 | 1,826 | 55 | 36 | - | 100,855 | 104,420 |
| Revaluation | 26,649 | - | - | - | - | - | 26,649 |
| Sales | (3,610) | (996) | (30) | - | - | - | (4,636) |
| Impairment | 908 | 348 | (1) | 5,315 | 1,097 | - | 7,667 |
| Transfers | 91,053 | 135 | 125 | - | - | (101,829) | (10,517) |
| Balance at the end of the year | 1,473,330 | 34,245 | 2,311 | 5,552 | 1,109 | 47,706 | 1,564,253 |
| Accumulated depreciation | | | | | | | |
| Balance at the beginning of the year | 383,211 | 23,268 | 1,261 | 57 | - | 151 | 407,947 |
| Depreciation | 32,469 | 1,925 | 173 | 18 | - | - | 34,585 |
| Impairment | (4,192) | 339 | (1) | 4,065 | 212 | - | 422 |
| Sales | (1,936) | (944) | (27) | - | - | - | (2,907) |
| Transfers | - | - | - | - | - | - | - |
| | 409,552 | 24,588 | 1,405 | 4,140 | 212 | 151 | 440,048 |
| Balance at the end of the year | 1,063,778 | 9,657 | 905 | 1,412 | 897 | 47,555 | 1,124,205 |
| Comprising: | | | | | | | |
| Cost | 939,719 | 9,657 | 905 | 1,412 | 897 | 47,555 | 1,000,145 |
| Valuation | 124,059 | - | - | - | - | - | 124,059 |
| Total | | | | | | | 1,124,205 |

The directors assess the fair value of land and buildings as the carrying value shown above.

The carrying amounts of property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If such impairment exists, the recoverable amount of assets is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of an asset's net selling price and value in use. An impairment loss is recognised whenever the carrying amount of assets exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance.

**Network**
In assessing the recoverable amount of Aurora Energy's electricity network and fibre assets the Directors have relied on the assessment completed by Aurora Energy. The Directors of Aurora Energy have reviewed the results of impairment testing undertaken by Aurora Energy's management as at 30 June 2026. The impairment testing was performed on a "no growth" basis in accordance with NZ IAS 36 Impairment of Assets.

The impairment testing used the discounted cashflow (DCF) methodology to arrive at an estimated valuation range based on Free Cash Flows (FCF) for a 10-year period from 1 July 2026. The key assumptions utilised in the impairment testing were that:

- For the 10 years from 1 July 2026, the network revenue forecasts are derived from the Commerce Commission approved Default Price-Quality Path (DPP4) allowances for Aurora Energy and Building Blocks Allowable Revenue (BBAR) forecasts.

- Operating and capital expenditure forecasts were derived from the 10-year expenditure forecasts included in the Company's 2026 Asset Management Plan Update.

- In applying the DCF methodology the Company considered a range of discount rates from 5.84% to 6.84%. The discount rate is a matter of professional judgement.

- In determining the discount rate for year-end impairment testing, the 10-year Government bond rate at valuation date was used as a basis for the risk-free rate. The risk-free rate was used in conjunction with a view of an appropriate post-tax market risk premium.

- The discount rates used in the impairment testing were based on the same level of asset beta and similar level of leverage as set by the Commerce Commission for the 5-year regulatory period from 1 April 2025.

Sensitivity analysis showed a 0.25% decrease/(increase) in the DCF discount rate used for impairment testing would increase/(decrease) the indicative value range by about $23 million.

On reviewing the DCF analysis Aurora Energy assessed that there was no impairment to the carrying value of the network assets as at 30 June 2026.

The value of the assets is fundamentally linked to Aurora Energy's ability to operate within the future expenditure allowances approved by the Commerce Commission.

**Locomotives and Railway Track**

No impairment losses or impairment reversals were recognised during the year ended 30 June 2026 (2025: impairment reversal of $2.2 million).

The impairment reversal recognised during the year ended 30 June 2025 followed a reassessment of the recoverable service amount of DRL's rail corridor and associated assets. The recoverable service amount was determined using value in use calculated on a depreciated replacement cost basis. In accordance with PBE IPSAS 21, the impairment reversal was limited to the carrying amount that would have been determined had no impairment loss been recognised in prior periods.





**15 TRADE AND OTHER PAYABLES**

**Accounting policy**
Trade and other payables are stated at amortised cost.
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**Goods and services tax (GST)**

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. Commitments and contingencies are disclosed exclusive of GST.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Trade payables | 22,755 | 20,658 |
| Due to related parties: | | |
| Dunedin City Council | 46 | 104 |
| Dunedin Heritage Fund | 2 | 3 |
| | 47 | 107 |
| Other payables: | | |
| Contract liabilities | 2,691 | 2,389 |
| GST payable | 1,103 | 860 |
| Other current liabilities | 15,703 | 16,439 |
| | 19,497 | 19,689 |
| | 42,299 | 40,454 |

The directors consider that the carrying amount of trade payables approximates their fair value.

Contract liabilities relate to Aurora Energy's customer prepayments on capital contribution projects that have not been completed, and Dunedin Venues revenue received in advance from its contracts with customers.

**16 EMPLOYEE ENTITLEMENTS**

**Accounting policy**
Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements to long service leave and retirement gratuities are calculated on an actuarial basis and are based on the reasonable likelihood that they will be earned by employees and paid by the Group.

The Group recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The calculation is based on the value of excess sick leave taken within the previous twelve months.

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Current liabilities | | |
| Long service leave | 344 | 408 |
| Annual leave | 8,024 | 7,631 |
| Gratuities | 205 | 200 |
| Sick leave | 172 | 218 |
| Other provisions | 244 | 486 |
| | 8,988 | 8,943 |
| Non-current liabilities | | |
| Long service leave | 955 | 874 |
| Gratuities | 162 | 147 |
| | 1,117 | 1,021 |

**17 DERIVATIVE FINANCIAL INSTRUMENTS**

**Accounting Policy**
Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses interest rate swap contracts to hedge these exposures. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

The Group does not use derivative financial instruments for speculative purposes. However, any derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, would be accounted for as trading instruments with fair value gains/losses being taken directly to profit and loss.

The use of financial derivatives within the Group is governed by the Dunedin City Council's Treasury Risk Management Policy (reviewed and last approved 28 January 2025). The policy provides written principles on the use of financial derivatives.

Derivative financial instruments are recognised at fair value on the date the derivative is entered into and are subsequently re-measured to their fair value. The fair value on initial recognition is the transaction price. Subsequent fair values are based on independent prices quoted in active markets as provided to us from Thomson Reuters data.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The fair value of interest rate swaps is calculated based on pricing using Thomson Reuters data. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The gain or loss from re-measuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the profit or loss. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the profit or loss over the period to maturity.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity with any ineffective portion recognised immediately in profit or loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in other comprehensive income in the same period in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the statement of comprehensive income via other comprehensive income. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in the statement of comprehensive income via other comprehensive income.

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge relationship is more than twelve months and as a current liability if the remaining maturity of the hedge relationship is less than twelve months.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of comprehensive income as they arise. Derivatives not designated into an effective hedge relationship are classified as current assets or liabilities.





Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

| | 2026 Asset $'000 | 2026 Liability $'000 | 2025 Asset $'000 | 2025 Liability $'000 |
|---|---|---|---|---|
| *Fair value* | | | | |
| Interest rate swaps | 12,446 | 17,160 | 14,696 | 19,474 |
| Analysed as: | | | | |
| Current | - | 726 | - | 151 |
| Non-current | 12,446 | 16,434 | 14,696 | 19,323 |
| | 12,446 | 17,160 | 14,696 | 19,474 |

| | 2026 Asset $'000 | 2026 Liability $'000 | 2025 Asset $'000 | 2025 Liability $'000 |
|---|---|---|---|---|
| *Fair value* | | | | |
| Foreign exchange contracts | 91 | 2,406 | 2,099 | - |
| Analysed as: | | | | |
| Current | 56 | 1,323 | 811 | - |
| Non-current | 35 | 1,083 | 1,288 | - |
| | 91 | 2,406 | 2,099 | - |

The ineffective portion recognised in the statement of comprehensive income that arises from fair value hedges amounts to a loss of $31 thousand (2025: loss of $27 thousand). This represents the current year net movement in the value of the fair value hedge swaps of $2.3 million (gain) and fair value hedge adjustment to debt of $2.3 million (loss).

**18 LEASE LIABILITIES**

**Accounting policy**
The Group leases land, buildings, plant and equipment, communication access rights and motor vehicles with lease terms up to 10 years.

The lease liabilities are initially measured at the present value of the lease payments, discounted using the interest rate inherent in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liabilities are measured at amortised cost using the effective interest method. They are remeasured when there is a change in future lease payments arising from a change in index or rate.

Also see Note 13 Right-of-use assets, for more information.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Current | 3,136 | 3,596 |
| Non current | 5,311 | 7,281 |
| Balance at the end of the year | 8,447 | 10,877 |
| Maturity analysis | | |
| Payable within one year | 3,136 | 3,596 |
| Payable between one to five years | 4,717 | 7,044 |
| Payable later than five years | 594 | 238 |
| | 8,447 | 10,877 |

**19 SHORT TERM BORROWINGS**

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Related party borrowings | 1,097 | 1,319 |
| | 1,097 | 1,319 |

The Group's short term borrowings are unsecured and are arranged at floating interest rates thus exposing the Group to cash flow interest rate risk.

**20 TERM BORROWINGS**

**Accounting policy**

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the statement of financial performance using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Non-current | | |
| Multi-option debt facility | 1,530,326 | 1,413,502 |
| | 1,530,326 | 1,413,502 |

As at 30 June 2026, the Group had a $1,900 million multi option instrument issuance facility which is secured against certain assets and undertakings of the Dunedin City Council Group. Group debt is raised by Dunedin City Treasury Limited, by issuing long dated bonds, floating rate notes or by the issue of promissory notes. In addition, Dunedin City Treasury also borrows funds from the New Zealand Local Government Funding Agency.

Three independent banks have provided committed facilities to the amount of $240 million (2025: $240 million).

The amount of unamortised premium or (discount) on medium term notes on issue at 30 June 2026 is nil (2025: nil).

The tender of promissory notes under the multi-option facility generally raises debt for a term of three months before being re-tendered. In addition to this, the issue of floating rate notes under the multi-option facility also raises floating rate debt. This type of borrowing is executed at the floating rate at the date of borrowing drawdown or at the start of the floating rate reset and exposes the group to cash flow interest rate risk. Interest rate derivatives are taken out to manage that risk. Floating rate debt is also created by converting fixed rate bond issuance from fixed to floating using interest rate swaps. The credit risk from each derivative is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Borrower notes are subordinated convertible debt instruments that the Group subscribes for an amount equal to 5% (2025 5.0%) of the total long-term borrowings from LGFA. LGFA will redeem borrower notes when the Groups related borrowings are repaid or no longer owed to LGFA. At 30 June 2026 the Company had subscribed to $27.25m of borrower notes. (2025: $14.75m).

While the contractual maturities of the Group's debt are not all long-term, the Group expects and has the ability to refinance debt under the multi option instrument issuance facility. The Group has therefore determined that all debt is non-current as per the provisions of NZ IAS1.





| Multi-option debt facility | Interest Rate | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| Promissory notes | | 233,396 | 193,841 |
| Medium term notes 17/07/2025 | Coupon rate 3.61% | - | 50,000 |
| Floating rate notes 15/10/2025 | 47.0bp over BKBM | - | 75,000 |
| Medium term notes 15/04/2026 | Coupon rate 3.98% | - | 65,000 |
| Medium term notes 15/03/2026 | Coupon rate 2.90% | - | 50,000 |
| Medium term notes 15/11/2026 | Coupon rate 2.09% | 55,000 | 55,000 |
| Medium term notes 16/11/2026 | Coupon rate 0.676% | 60,000 | 60,000 |
| Medium term notes 18/04/2028 | Coupon rate 1.93% | 110,000 | 110,000 |
| Medium term notes 15/11/2028 | Coupon rate 5.55% | 60,000 | 60,000 |
| Medium term notes 27/11/2028 | Coupon rate 3.22% | 100,000 | 100,000 |
| Floating rate notes 09/02/2030 | 65.0bp over BKBM | 75,000 | 75,000 |
| Floating rate notes 09/02/2030 | 78.1bp over BKBM | 25,000 | 25,000 |
| Floating rate notes 15/05/2031 | 75.8bp over BKBM | 25,000 | 25,000 |
| Floating rate notes 15/05/2031 | 92.0bp over BKBM | 100,000 | 100,000 |
| Floating rate notes 09/02/2030 | 82.1bp over BKBM | 25,000 | 25,000 |
| Floating rate notes 14/04/2033 | 99.0bp over BKBM | 20,000 | 20,000 |
| Floating rate notes 15/02/2027 | 56.0bp over BKBM | 50,000 | 50,000 |
| Floating rate notes 17/07/2025 | 32.0bp over BKBM | - | 20,000 |
| Floating rate notes 08/07/2027 | 41.0bp over BKBM | 50,000 | 50,000 |
| Floating rate notes 01/04/2032 | 96.0bp over BKBM | 85,000 | 85,000 |
| Floating rate notes 14/04/2033 | 105.0bp over BKBM | 30,000 | 30,000 |
| Floating rate notes 14/04/2033 | 103.4bp over BKBM | 35,000 | 35,000 |
| Medium term notes 10/10/2033 | Coupon rate 4.996% | 60,000 | 60,000 |
| Floating rate notes 15/10/2029 | 71.3bp over BKBM | 120,000 | - |
| Floating rate notes 01/04/2032 | 82.0bp over BKBM | 30,000 | - |
| Floating rate notes 17/07/2028 | 62.0bp over BKBM | 75,000 | - |
| Floating rate notes 14/04/2033 | 92.0bp over BKBM | 60,000 | - |
| Floating rate notes 15/05/2035 | 103.0bp over BKBM | 50,000 | - |
| Fair value impact on medium term notes | | (3,070) | (5,339) |
| Total term borrowings | | 1,530,326 | 1,413,502 |

The repayment period on the term borrowings is as follows:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Repayable less than one year | 398,369 | 453,718 |
| Effective interest rate | 3.57% | 3.57% |
| Repayable between one to five years | 762,067 | 605,342 |
| Effective interest rate | 3.18% | 3.18% |
| Repayable later than five years | 369,890 | 354,442 |
| Effective interest rate | 5.13% | 5.13% |
| | 1,530,326 | 1,413,502 |

With the exception of borrowings, the directors' view is that the carrying value of financial assets and liabilities equals their fair value.

Debt instruments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

The directors estimate the fair value of the Group's borrowings, by discounting their future cash flows at the market rate, to be as follows:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Multi-option note facility | 1,529,418 | 1,407,836 |

**21 SHAREHOLDER'S ADVANCE**

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Balance at the end of the year | 112,000 | 112,000 |

The shareholder's advance owing to the Dunedin City Council is unsecured. The directors' view is that this advance forms an integral part of the Council's investment in the Company. The terms of the advance agreement between shareholder and Company are such that there is no obligation on the Company to transfer economic benefit at any specific time. This year, the cash payment to the Council was $5.9 million (2025: $5.9 million) on the advance. In 2026, the gross interest on the debt was set at 5.27% (2025: 5.27%).

## 22 FINANCIAL RISK

**Accounting policy**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

In the normal course of business the Group is exposed to a variety of financial risks. The Group is risk averse and seeks to minimise exposure from its treasury activities. Dunedin City Council has established a Treasury Risk Management Policy covering both investment and borrowing policies, that the Group is required to comply with. This policy does not allow any transactions to be entered into that are speculative in nature.

Dunedin City Treasury Limited provides services and loans to the businesses and the shareholder, co-ordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the Group. These risks include market risk, credit risk and liquidity risk.

### 22.1 Capital management strategy
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The parent company meets with its shareholder on a regular basis and advises what capacity it has to provide tax effective distributions. The parent board seeks to maximise those distributions while balancing the ongoing need to grow the overall Group business and to maintain the Group's financial strength through sound and innovative financial management.

Dunedin City Holdings Limited's forecast distributions for each three year period are disclosed in its annual Statement of Intent.
The Group's capital is its equity, which comprises issued capital and retained surpluses. Equity is represented by net assets.
The Group's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

### 22.2 Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available. The Group has committed bank lines available that can be drawn of $240 million (2025: $220 million).

The Group evaluates its liquidity requirements on an ongoing basis and Dunedin City Treasury Limited actively manages its liquidity risk through:

- maintaining the best credit rating appropriate to the Dunedin City Council Group expenditure and revenue plans;
- arrangement of appropriate backup facilities to the short term borrowing programme;
- managing a prudent balance of both short and long term borrowing programmes;
- regular review of projected cash flows and debt requirements.
- ensuring sufficient size of underwriting facilities
- having no more than $450,000,000 to mature in any single year.
- spreading of underwriting facilities, floating rate and fixed rate note issues
- a target of at least 20% of debt with maturity dates greater than five years

In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The maturity profile and effective interest rates of the Group term borrowings are set out in note 20. The maturity profiles of the Group's financial assets and liabilities, with the exception of equity investments are explained in note 22.10.

### 22.3 Interest rate risk
Under the Dunedin City Council Treasury Risk Management Policy last approved 28 January 2025, Dunedin City Treasury Limited utilises a portfolio approach to manage interest rate risk for the Group. The approach to manage exposure arising from interest rate risk is to use interest rate derivatives to achieve the desired fixed rate maturity profile.
Interest rate risk is the risk that fluctuations in interest rates impact the Group's financial performance or the fair value of its holding of financial instruments.

The Group has exposure to interest rate risk. The Group maintains the Fixed Rate Maturity Profile outlined in the Dunedin City Council Treasury Risk Management Policy.

Group companies and the Dunedin City Council are precluded from entering into financial transactions with external counterparties, except City Forests (foreign exchange and carbon credits within their approved polices).





As at 30 June 2026 if interest rates moved by plus or minus 1% across the yield curve the impact on the profit and loss would be nil and the movement in equity would also be nil. This is because the impact of any interest rate movements from third parties is reflected in the interest rates charges Dunedin City Council.
The Group uses interest rate swaps to manage its exposure to interest rate movements on its multi-option facility borrowings by swapping a proportion of those borrowings from floating rates to fixed rates.

The notional principal outstanding with regard to the interest rate swaps is:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Maturing in less than one year | 255,000 | 80,000 |
| Maturing between one and five years | 980,000 | 800,000 |
| Maturing in more than five years | 745,000 | 665,000 |
| | 1,980,000 | 1,545,000 |

Note the above table only includes 3rd party interest rate swaps. There is no interest rate swaps held with their parent, Dunedin City Council (2025: Nil).

### 22.4 Currency market risk
City Forests Limited is the one company within the Dunedin City Holdings Limited Group that consistently generates cash flows in foreign currency. NZD is the functional currency of both City Forests Limited and the Dunedin City Holdings Limited Group. City Forests Limited manages the risk associated with exchange rate fluctuations through the use of currency derivatives to hedge significant future export sales in accordance with foreign exchange policy established by directors. This foreign exchange policy of City Forests Limited allows foreign exchange forward contracts and the purchase of options in the management of its exchange rate exposures. The instruments purchased are only against the currency in which the exports are sold.
The interest rates on the Group's related party advances and LGFA borrower notes are disclosed in note 6 and on the Group's borrowings in note 20.
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to fair value interest rate risk is limited to its borrowings and short-term bank deposits, at fixed interest rates and derivatives at fixed interest rates.
Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Group to cash flow interest rate risk. The Goup manages the interest rate risk by using derivatives to convert floating interest to fixed interest.

Other companies within the Group will occasionally purchase forward cover against expected purchases in foreign currency.

At statement of financial position date, the total notional amount and fair values of outstanding forward foreign exchange contracts to which City Forests Limited is committed are as follows:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Forward foreign exchange contracts | | |
| - fair value | (2,315) | 2,099 |
| - nominal value (sale of USD and purchase of NZD) | 72,226 | 70,981 |

### 22.5 Effectiveness of cash flow hedges
The matched terms method is the method used in applying hedges across the Group. In all cases, the critical terms of both the hedge instrument and the underlying transaction are matched.

| | 2026 % | 2025 % |
|---|---|---|
| Effectiveness | 100 | 100 |

### 22.6 Credit risk
Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss.

The Group has processes in place to review the credit quality of customers and counterparty prior to the granting of credit to ensure they maintain an investment grade rating. Dunedin City Treasury Limited actively manages its credit risk through:

- individual and maximum counterparty credit limits.
- specific limit calculations for individual financial instruments recognising potential changes in fair value of the instrument.

In financial transactions, the Group deals only with credit-worthy counterparties that are rated the equivalent of investment grade and above. This information is supplied by credit rating agencies. The Group's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions undertaken is spread among the approved counterparties.

The Group's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents (note 5), other financial assets (note 6) and trade receivables (note 7). The credit risk on liquid funds and derivative financial instruments is limited because counterparties are banks with high credit ratings assigned by international credit rating agencies.

Trade receivables consist of a large number of customers spread across diverse industries and geographical areas. The Group does not have any significant credit risk exposure to any single counterparty or Group of counterparties having similar characteristics.

## Notes to the consolidated financial statements *for the year ended 30 June 2026*

Contracts have been entered into with various counterparties that have approved and satisfactory credit ratings, and in accordance with dollar limits set in the Dunedin City Council Treasury Risk Management Policy.
Industry and product concentrations are determined by the activities within the Group.
There is no security held over cash equivalents, trade receivables and related party loans.
The amounts presented in the statement of financial position for trade receivables are net of allowances for doubtful debts. Credit terms differ between companies within the Group.

Past due, but not impaired, receivables are as follows:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Accounts Receivable Aging | | |
| Age analysis: current | 42,269 | 36,133 |
| 30-60 days | 426 | 2,934 |
| 60-90 days | 91 | 194 |
| 90 days plus | 230 | 734 |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings.

**Financial assets analysis**

| **2026** | **AAA** | **AA+** | **AA** | **AA-** | **No Rating** | **Group** |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | - | - | - | 50,406 | - | 50,406 |
| Trade and other receivables | - | - | - | 9,185 | 38,083 | 47,268 |
| LGFA borrower notes | 28,821 | - | - | - | - | 28,821 |
| Advances due from related parties | - | - | - | 711,500 | 42 | 711,542 |
| Derivatives | - | - | - | 12,537 | - | 12,537 |
| NZ carbon credits | - | - | - | - | 38,201 | 38,201 |
| | 28,821 | - | - | 783,628 | 76,326 | 888,776 |
| **2025** | | | | | | |
| Cash and cash equivalents | - | - | - | 13,877 | - | 13,877 |
| Trade and other receivables | - | - | - | 9,273 | 34,668 | 43,940 |
| LGFA borrower notes | 14,750 | - | - | - | - | 14,750 |
| Advances due from related parties | - | - | - | 650,500 | 28 | 650,528 |
| Derivatives | - | - | - | 16,795 | - | 16,795 |
| NZ carbon credits | - | - | - | - | 51,353 | 51,353 |
| | 14,750 | - | - | 690,445 | 86,049 | 791,243 |

### 22.7 Categories of financial assets and liabilities

**Accounting policy**
Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Under NZ IFRS 9, all the financial assets and liabilities are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income on the basis of the Group's business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

The Group enters into derivative financial instruments to manage its exposure to interest rate risks. There was no change of classification in relation to derivatives, these continue to be measured at fair value through profit or loss.

The Group's advances to DCC are measured at amortised cost in accordance with NZ IFRS 9 and and LGFA borrower notes are measured at fair value through profit and loss, in accordance with NZ IFRS 9.

The Group's other financial assets and liabilities including cash and cash equivalents, trade and other receivables, term receivables, trade and other payables, accrued expenditure, short term borrowings, term loans, and shareholder's advance to DCC are measured at amortised cost as they meet the conditions under IFRS 9.

Under NZ IFRS 9, the impairment model requires the recognition of impairment provisions based on expected credit losses. It applies to financial assets classified at amortised cost. The introduction of the impairment model has had no impact on the Group's financial assets classified at amortised cost. For trade and other receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.



## Notes to the consolidated financial statements *for the year ended 30 June 2026*

The category and carrying amount of financial assets and liabilities in each of the NZ IFRS 9 categories is as follows:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Financial assets measured at amortised cost: | | |
| Cash and cash equivalents (note 5) | 50,406 | 13,877 |
| Trade and other receivables (note 7) | 43,050 | 41,097 |
| Other financial assets (note 6) | 740,363 | 665,278 |
| Term receivables (note 7) | - | - |
| Financial assets measured at amortised cost | 833,820 | 720,252 |
| Financial assets at fair value through the statement of financial performance: | | |
| Derivative financial instruments assets (note 17) | 12,537 | 16,795 |
| LGFA borrower notes (note 6) | 28,821 | 14,750 |
| | 41,358 | 31,545 |
| Financial liabilities measured at amortised cost: | | |
| Trade and other payables (note 15) | 39,608 | 38,065 |
| Short term borrowings (note 19) | 1,097 | 1,319 |
| Term borrowings (note 20) | 1,530,326 | 1,413,502 |
| Shareholder's advance (note 21) | 112,000 | 112,000 |
| Total financial liabilities measure at amortised cost | 1,683,030 | 1,564,885 |
| Financial liabilities at fair value through the statement of financial performance: | | |
| Derivative financial instrument liabilities (note 17) | 19,566 | 19,474 |

### 22.8 Sensitivity analysis of financial assets and liabilities

Based on historic movements and volatilities, the following movements are reasonably possible over a twelve month period:

Proportional foreign exchange rate movement of –10% (depreciation of NZD) and a +10% (appreciation of the NZD) against the USD, from the year end rate of 0.56775. A parallel shift of +1%/-1% of the NZD yield curve from market closing values as at 30 June 2026.

Should these movements occur, the effect on consolidated statement of financial performance and equity for each category of financial instrument held at balance date is presented below. The movements are illustrative only.

| | Carrying Amount $'000 | Interest Rate -100bp | | Interest Rate +100bp | | FX -10% | FX 10% |
|---|---|---|---|---|---|---|---|
| **2026** | | Profit | Equity | Profit | Equity | Equity | Equity |
| **Financial assets** | | | | | | | |
| Derivatives – designated as cash flow hedges (interest rate swaps) | 10,461 | - | (17,831) | - | 16,809 | - | - |
| Derivatives – designated as cash flow hedges (forward currency deals) | 91 | - | - | - | - | 8,399 | (6,872) |
| Other financial assets | 833,820 | 344 | - | (384) | - | - | - |
| | 844,371 | 344 | (17,831) | (384) | 16,809 | 8,399 | (6,872) |
| **Financial liabilities** | | | | | | | |
| Derivatives – designated as cash flow hedges (interest rate swaps) | 11,989 | - | (41,323) | - | 38,875 | - | - |
| Derivatives – designated as cash flow hedges (forward currency deals) | 2,406 | - | - | - | - | - | - |
| Other financial liabilities | 1,666,178 | (1,252) | - | 1,219 | - | - | - |
| | 1,680,573 | (1,252) | (41,323) | 1,219 | 38,875 | - | - |
| Total increase/(decrease) | | (908) | (59,154) | 835 | 55,684 | 8,399 | (6,872) |

## Notes to the consolidated financial statements *for the year ended 30 June 2026*

| | Carrying Amount $'000 | Interest Rate -100bp | | Interest Rate +100bp | | FX -10% | FX 10% |
|---|---|---|---|---|---|---|---|
| **2025** | | | | | | | |
| **Financial assets** | | | | | | | |
| Derivatives – designated as cash flow hedges (interest rate swaps) | 11,921 | - | (11,361) | - | 10,732 | - | - |
| Derivatives – designated as cash flow hedges (forward currency deals) | 2,099 | - | - | - | - | (7,718) | 6,315 |
| Other financial assets | 720,252 | 231 | - | (257) | - | - | - |
| | 734,271 | 231 | (11,361) | (257) | 10,732 | (7,718) | 6,315 |
| **Financial liabilities** | | | | | | | |
| Derivatives – designated as cash flow hedges (interest rate swaps) | 11,214 | - | (36,088) | - | 33,978 | - | - |
| Derivatives – designated as cash flow hedges (forward currency deals) | - | - | - | - | - | - | - |
| Other financial liabilities | 1,547,478 | (3,175) | | 3,112 | - | - | - |
| | 1,558,692 | (3,175) | (36,088) | 3,112 | 33,978 | - | - |
| Total increase/(decrease) | | (2,945) | (47,448) | 2,854 | 44,710 | (7,718) | 6,315 |

1. Cash and cash equivalents include deposits at call which are at floating interest rates. Sensitivity to a 1% movement in rates is immaterial as these deposits are very short term.

2. Derivatives subject to the hedge accounting regime are managed by the group to be 100% effective and thus there is no sensitivity to change in either interest rates or exchange rates. Changes to interest rates charged caused by any change to the credit standing of the Group cannot be hedged.

3. Borrowings within each of the companies of the Group are subject to the Treasury Risk Management Policy. Sensitivity to any movement in the interest rate in the statement of financial performance is limited to the effect on the amount of floating rate debt that exceeds the amount of the fixed rate hedge.

4. A proportion of derivatives contracted with third parties are offset by corresponding contractual arrangements with the Dunedin City Council. An interest rate movement of plus or minus 1% across the yield curve would have no impact on the statement of financial performance and equity for these derivatives.

5. The shareholder's advance of $112 million from the Dunedin City Council to Dunedin City Holdings Limited is variable rate debt that is not hedged.

### 22.9 Fair value of financial instruments

**Fair value measurements recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



## Notes to the consolidated financial statements *for the year ended 30 June 2026*

| 2026 | Level 1 NZ $'000 | Level 2 NZ $'000 | Level 3 NZ $'000 | Total NZ $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Derivative financial assets | - | 12,537 | - | 12,537 |
| New Zealand carbon credits | 38,201 | - | - | 38,201 |
| | 38,201 | 12,537 | - | 50,738 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 19,566 | - | 19,566 |
| **2025** | | | | |
| **Financial assets** | | | | |
| Derivative financial assets | - | 16,795 | - | 16,795 |
| New Zealand carbon credits | 51,353 | - | - | 51,353 |
| | 51,353 | 16,795 | - | 68,148 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 19,474 | - | 19,474 |

### 22.10 Contractual maturity analysis of financial assets and liabilities

The tables below analyse the Group's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and includes interest receipts. Where the amount payable is not fixed, the amount disclosed in the analysis below is determined by reference to the conditions existing at balance date. The swap settlement rate as at 30 June 2026 was 2.72% (2025: 3.29%). Contractual amounts for the interest expense and balance of the shareholder advance have not been included as the interest is currently payable on a year by year basis and there is no contractual date for the repayment of the outstanding balance.

| Financial assets | Carrying Amount $000's | Contractual Cash Flows $000's | Less than 1 year $000's | 1 to 2 years $000's | 2 to 5 years $000's | More than 5 years $000's | No maturity $000's |
|---|---|---|---|---|---|---|---|
| **2026** | | | | | | | |
| Cash and cash equivalents | 50,406 | 50,406 | 50,406 | - | - | - | - |
| Trade and other receivables | 43,050 | 43,050 | 43,050 | - | - | - | - |
| Term receivables | - | - | - | - | - | - | - |
| Derivative financial instruments | 12,537 | (12,169) | 304 | (1,668) | (8,177) | (2,628) | - |
| Investments | 740,363 | 740,321 | - | - | 13,280 | 15,541 | 711,500 |
| Total | 846,357 | 821,609 | 93,761 | (1,668) | 5,103 | 12,913 | 711,500 |
| **2025** | | | | | | | |
| Cash and cash equivalents | 13,877 | 13,877 | 13,877 | - | - | - | - |
| Trade and other receivables | 41,097 | 41,097 | 41,097 | - | - | - | - |
| Term receivables | - | - | - | - | - | - | - |
| Derivative financial instruments | 16,795 | (6,874) | 521 | 172 | (5,155) | (2,412) | - |
| Investments | 665,278 | 664,750 | - | - | 3,125 | 11,125 | 650,500 |
| Total | 737,047 | 712,850 | 55,495 | 172 | (2,030) | 8,713 | 650,500 |
| **Financial liabilities** | | | | | | | |
| **2026** | | | | | | | |
| Trade and other payables | 39,608 | 39,608 | 39,608 | - | - | - | - |
| Derivative financial instruments | 19,566 | 5,121 | 6,365 | 2,877 | 723 | (4,844) | - |
| Borrowings | 1,531,422 | 1,734,379 | 449,902 | 201,270 | 684,258 | 398,949 | - |
| Total | 1,590,596 | 1,779,108 | 495,875 | 204,147 | 684,981 | 394,105 | - |
| **2025** | | | | | | | |
| Trade and other payables | 38,065 | 38,065 | 38,065 | - | - | - | - |
| Derivative financial instruments | 19,474 | 11,940 | 6,016 | 4,889 | 3,603 | (2,568) | - |
| Borrowings | 1,414,820 | 1,605,711 | 500,254 | 198,888 | 518,792 | 387,777 | - |
| Total | 1,472,360 | 1,655,716 | 544,335 | 203,777 | 522,395 | 385,209 | - |

The maturity profiles of the Group's interest bearing LGFA borrower notes and borrowings are disclosed in notes 6 and 20 respectively.

**23 CONTINGENT LIABILITIES**

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Performance Bonds | 636 | 636 |

The performance bonds issued are principally in favour of South Island Local Authorities for contract work by Delta Utility Services Limited. There is no indication that any of these contingent liabilities will crystallise in the foreseeable future.

In future years there will be a carbon credit liability against a proportion of the carbon credits sequestered from post-1989 forest areas in accordance with New Zealand Emissions Trading Scheme Regulations. A proportion of carbon sequestered from Post-1989 areas will have to be surrendered to compensate for the carbon liability generated from harvesting those forest areas. As at 30 June 2026 and similar to 30 June 2025 the value of the potential liability in future years is not known with sufficient certainty to be classified as a Contingent Liability due to the variations in the harvesting schedule, carbon reporting periods and the value of carbon to surrender. (2025 $nil.)

**24 CAPITAL EXPENDITURE COMMITMENTS**

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Plant and equipment | 31,418 | 15,596 |
| Land | - | 1,050 |

**Other commitments**

Undrawn Facilities: Level of committed facilities undrawn was $240,000,000 (2025: $240,000,000).

Field Service Agreement Contracts: The Group is party to field service agreement contracts. The value of total committed expenditure under these contracts is $16 million for the 31 March 2027 and 31 March 2028 regulatory years. The current FSA contracts include network operational expenditure and do not specify the minimum capital expenditure per annum .

**25 EQUITY - SHARE CAPITAL**

| **Issued capital** | 2026 $'000 | 2025 $'000 |
|---|---|---|
| 2,041,794,000 ordinary shares | 141,794 | 138,889 |

On incorporation, Dunedin City Holdings Limited issued 100,000,000 ordinary shares in favour of the Dunedin City Council. Only $100,000 was called.

Since incorporation Dunedin City Holdings Ltd has issued additional shares of $1 each in favour of the Dunedin City Council. The shares carry equal voting rights and 1,900,000,000 are uncalled. During the year ended 30 June 2026 a further 2,905,000 ordinary shares were issued and called. The amounts and dates of all issues made since incorporation are:

- June 1993 — 99,900,000 ordinary shares
- May 1996 — 75,000,000 ordinary shares
- March 1999 — 100,000,000 ordinary shares
- June 2002 — 75,000,000 ordinary shares
- September 2008 — 250,000,000 ordinary shares
- April 2011 — 250,000,000 ordinary shares
- June 2016 — 115,839,000 ordinary shares
- June 2017 — 2,550,000 ordinary shares
- June 2018 — 2,550,000 ordinary shares
- June 2019 — 2,550,000 ordinary shares
- April 2020 — 125,100,000 ordinary shares
- June 2020 — 2,550,000 ordinary shares
- June 2021 — 2,550,000 ordinary shares
- June 2022 — 2,550,000 ordinary shares
- August 2022 — 225,000,000 ordinary shares
- June 2023 — 2,550,000 ordinary shares
- September 2023 — 400,000,000 ordinary shares
- June 2024 — 2,550,000 ordinary shares
- June 2025 — 2,550,000 ordinary shares
- August 2025 — 300,000,000 ordinary shares
- June 2026 — 2,905,000 ordinary shares



Notes to the consolidated financial statements *for the year ended 30 June 2026*

**26 ACCUMULATED FUNDS**

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Balance at the beginning of the year | | |
| Group companies | 146,767 | 136,774 |
| Associate companies | 23,172 | 20,871 |
| | 169,938 | 157,644 |
| Net profit for the year | 21,786 | 19,437 |
| Dividend distributions | (9,000) | (11,000) |
| Transfer from carbon reserve | 6,768 | 3,857 |
| Balance at the end of the year | 189,493 | 169,938 |

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| *Represented by* | | |
| Group companies | 165,495 | 146,767 |
| Associate companies | 23,998 | 23,172 |
| Balance at the end of the year | 189,493 | 169,938 |

Accumulated funds includes the forestry reserve. The forestry reserve arises with the revaluation of the biological assets which is put to the statement of comprehensive income. There is a transfer between retained earnings and the forestry reserve of the revaluation net of deferred taxation.

**27 RESERVES**

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Balance at beginning of the year | 31,165 | 27,413 |
| Gain/(loss) recognised on cash flow hedges/assets | 26 | 3,752 |
| Balance at the end of the year | 31,190 | 31,165 |

The reserve relates to assets of Dunedin International Airport Limited.

| **Hedging reserve** | | |
|---|---|---|
| Balance at beginning of the year | 2,101 | 21,063 |
| Gain/(loss) recognised on cash flow hedges: | (6,649) | (26,337) |
| Deferred tax arising on hedges (note 4) | 1,433 | 7,375 |
| Balance at the end of the year | (3,115) | 2,101 |

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments relating to foreign exchange transactions that have not yet occurred. The hedging gains/losses reclassified to profit or loss during the year are included in financial expense in the statement of comprehensive income.

| **Land revaluation reserve** | | |
|---|---|---|
| Balance at beginning of the year | 77,369 | 50,720 |
| Net revaluation of forest land | (10,581) | 26,649 |
| Balance at the end of the year | 66,788 | 77,369 |

| **Carbon credit reserve** | | |
|---|---|---|
| Balance at beginning of the year | 36,237 | 32,241 |
| Transfer to retained earnings re sale of carbon credits | (6,767) | (3,857) |
| Net gain in carbon credits above initial recognition value | (2,748) | 7,852 |
| Balance at the end of the year | 26,721 | 36,237 |

The carbon credit reserve records movements in the fair value of carbon credits. The amount held in the reserve is net of deferred tax where relevant. Any value above initial recognition is held in the Carbon Credit revaluation reserve.

## Notes to the consolidated financial statements *for the year ended 30 June 2026*

### 28 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to the shareholder of the Group by the weighted average number of ordinary shares on issue during the year.

| | 2026 | 2025 |
|---|---|---|
| **Number of shares** | | |
| Shares at year end | 1,741,794,000 | 1,738,889,000 |
| Weighted average number of ordinary shares | 1,738,920,836 | 1,736,471,740 |
| **Basic earnings per share** | $ 0.0125 | $ 0.0112 |
| **Earnings per paid up share** | $ 0.15 | $ 0.14 |

**Diluted earnings per share**

The Group had no dilutive potential ordinary shares during the current or previous period.

### 29 DIVIDENDS

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Final Dividend - June | | |
| 0.52 cents /share (2025: 0.63 cents /share) | 9,000 | 11,000 |
| | 9,000 | 11,000 |

### 30 RELATED PARTY TRANSACTIONS

The parent entity in the consolidated Group is Dunedin City Holdings Limited which is wholly owned by the Dunedin City Council.

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 10 to the Financial Statements.

Details of the percentage of ordinary shares held in associates are disclosed in note 9 to the Financial Statements.

Amounts receivable from and payable to related parties at balance date are disclosed in notes 7 and 15.



## Notes to the consolidated financial statements *for the year ended 30 June 2026*

**Transactions with Dunedin City Council Group outside the Dunedin City Holdings Limited Group**

Dunedin City Holdings Limited and its group companies undertake transactions with the Dunedin City Council. The Group provided services and traded with the Dunedin City Council in respect of the following transactions:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| *Sales of services to Dunedin City Council Group outside the Dunedin City Holdings Limited Group:* | | |
| Contracting services | 14,221 | 11,639 |
| Interest income | 27,568 | 27,353 |
| Grants | 1,504 | 1,919 |
| | 43,324 | 40,911 |
| *Purchases of goods and services from Dunedin City Council Group outside the Dunedin City Holdings Limited Group:* | | |
| Interest | 5,937 | 5,964 |
| Tax Compensation | - | 409 |
| Materials/network assets | 7 | 32 |
| Rates and property rentals | 3,215 | 3,000 |
| Administration and office services | 87 | 89 |
| | 9,247 | 9,494 |
| *As at balance date:* | | |
| Receivable from the Dunedin City Council Group | 720,155 | 658,222 |
| Payable to the Dunedin City Council Group (inclusive of shareholders advance) | 113,142 | 113,425 |

**Transactions with companies in which key management personnel have an interest and with close members of the family of key management personnel**

Key management personnel within the Group include the Board of Directors, Chief Executives, any manager with the title of Chief Financial Officer or equivalent and any manager with general management responsibilities over a major division.

**2026**

| Related Party | Relationship | Director | Entity | Received | Paid | Receivable | Payable |
|---|---|---|---|---|---|---|---|
| AG Foleys Ltd | Director | J George | Delta Utility Services Ltd | 25,072 | 69,995 | - | 6,000 |
| Bluecurrent Holdings NZ Ltd | Director | S Clarke | Aurora Energy Ltd | - | 217,353 | - | - |
| Central Otago District Council | Director | D Rushbrook | Dunedin Venues Mant. Ltd | 6,000 | - | - | - |
| Cook Brothers Group Ltd | Chief Financial Officer | A La Hood | Dunedin Venues Mant. Ltd | 23,000 | - | - | - |
| CORDE Ltd (previously Sicon Ltd) | Chair | S Grave | Delta Utility Services Ltd | | *No longer a related party* | | |
| Duncan Cotterill | Partner | R Lovett | Dunedin Venues Mant. Ltd | | *No longer a related party* | | |
| Dunedin Diocese Trust Board | Trustee | S Johnstone | DCHL Group | - | - | - | - |
| Excellence in Business Solutions Ltd | Director and Shareholder | W Harvey | Aurora Energy Ltd | - | 59,000 | - | - |
| Fern Energy Limited | Director | P Carnahan | Delta Utility Services Ltd | - | 66,975 | - | 4,341 |
| Forests Owners Association | | G Dodson | City Forests Ltd | - | 5,000 | - | - |
| Gin Factory Limited | Shareholder | S Thompson | Aurora Energy Ltd | - | - | - | - |
| Lee Piper | Interim Management Services Provided - June 2026 to September 2026 | L Piper | Dunedin Venues Mant. Ltd | - | 4,000 | - | - |
| Matua Governance Ltd | Director and Shareholder | S Clarke | Aurora Energy Ltd | - | 59,000 | - | - |
| McKenzie Architects Ltd | Shareholder | S Thompson | Aurora Energy Ltd | | 66,945 | - | - |
| New Zealand Post Ltd | Director | S Clarke | Aurora Energy Ltd | - | 1,000 | - | - |
| Orokonui Econsanctuary Ltd | Director | S Chalmers | City Forests Ltd | - | 40,000 | - | - |
| Passmore Consulting Services Limited | Director & Shareholder | S Thompson | Aurora Energy Ltd | - | 118,000 | - | - |
| Predator Free Dunedin | Director | S Chalmers | City Forests Ltd | - | 125,000 | - | - |
| Primeport Timaru Ltd | Director | P Melhopt | City Forests Ltd | - | 41,000 | - | - |

DUNEDIN CITY HOLDINGS LIMITED



| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Radiata Pine Breeding Coy | Director | S Chalmers | City Forests Ltd | | 23,000 | | |
| Samiam Notas Limited | Chairman | S Mason | City Forests Ltd | - | 82,000 | - | - |
| Shand Thomson Chartered Accountants | Director and shareholder | S Johnstone | DCHL Group | - | - | - | - |
| Southern Wood Council | Chairman | G Dodson | City Forests Ltd | - | 2,000 | - | - |
| Trojan Holdings Limited | Director and employee | P Caranhan | Delta Utility Services Ltd | - | 3,509 | - | - |
| Unison Contracting Services Ltd | Director | W Harvey | Aurora Energy Ltd | - | 11,420,619 | | 1,209,932 |
| Whitestone Contracting Ltd | Director | S Grave | Delta Utility Services Ltd | - | 24,808 | - | 2,212 |

**2025**

| Related Party | Relationship | Director | Entity | Received | Paid | Receivable | Payable |
|---|---|---|---|---|---|---|---|
| AG Foleys Ltd | Director | J George | Delta Utility Services Ltd | 7,628 | 13,538 | - | 161 |
| Allied Queenstown Concrete | Director | P Caranhan | Delta Utility Services Ltd | - | 310 | - | - |
| Alpine Energy Ltd | Chair | S Thompson | Aurora Energy Ltd | | *No longer a related party* | | |
| Bluecurrent Holdings NZ Ltd | Director | S Clarke | Aurora Energy Ltd | | 74,022 | - | 21,875 |
| Cook Brothers Group Ltd | Chief Financial Officer | A La Hood | Dunedin Venues Mant. Ltd | 16,000 | - | - | - |
| CORDE Ltd (previously Sicon Ltd) | Chair | S Grave | Delta Utility Services Ltd | | *No longer a related party* | | |
| Duncan Cotterill | Partner | R Lovett | Dunedin Venues Mant. Ltd | - | 3,000 | - | - |
| Dunedin Diocese Trust Board | Trustee | S Johnstone | DCHL Group | 19,665 | - | - | - |
| Excellence in Business Solutions Ltd | Director and Shareholder | W Harvey | Aurora Energy Ltd | - | 49,767 | - | - |
| Fern Energy Limited | Director | P Carnahan | Delta Utility Services Ltd | - | 48,687 | - | - |
| Forests Owners Association | | G Dodson | City Forests Ltd | | 9,000 | | |
| Gin Factory Limited | Shareholder | S Thompson | Aurora Energy Ltd | - | - | - | - |
| Jadran Consulting | Director and Shareholder | Adrian Januszkiewicz | Dunedin Railways Limited | - | 6,000 | - | - |
| Invercargill City Holdings Limited | Director | P Carnahan | Delta Utility Services Ltd | - | - | - | - |
| Matua Governance Ltd | Director and Shareholder | S Clarke | Aurora Energy Ltd | - | 49,767 | - | - |
| McKenzie Architects Ltd | Shareholder | S Thompson | Aurora Energy Ltd | | 68,680 | - | 10,707 |
| Orokonui Econsanctuary Ltd | Director | S Chalmers | City Forests Ltd | - | 30,000 | - | - |
| Passmore Consulting Services Limited | Director & Shareholder | S Thompson | Aurora Energy Ltd | - | 99,534 | - | - |
| Predator Free Dunedin | Director | S Chalmers | City Forests Ltd | - | 60,000 | - | - |
| Primeport Timaru Ltd | Director | P Melhopt | City Forests Ltd | - | 38,000 | - | - |
| Radiata Pine Breeding Coy | Director | S Chalmers | City Forests Ltd | | 21,000 | | |
| Samiam Notas Limited | Chairman | S Mason | City Forests Ltd | - | 75,000 | - | - |
| Shand Thomson Chartered Accountants | Director and shareholder | S Johnstone | DCHL Group | - | - | - | - |
| Southern Wood Council | Chairman | G Dodson | City Forests Ltd | - | 5,000 | - | - |
| Trojan Holdings Limited | Director and employee | P Caranhan | Delta Utility Services Ltd | - | - | - | - |
| Unison Contracting Services Ltd | Director | W Harvey | Aurora Energy Ltd | - | 13,752,989 | - | 908,289 |
| Whitestone Contracting Ltd | Director | S Grave | Delta Utility Services Ltd | 12,098 | 37,458 | 300 | 1,351 |





**Compensation of key management personnel**

The remuneration of directors and other members of key management of the company and all its subsidiaries, during the year was as follows:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Directors fees | 1,465 | 1,187 |
| Short-term employment benefits | 8,093 | 8,301 |
| Post-employment benefits | 103 | 100 |
| Termination benefits | 109 | 334 |
| | 9,770 | 9,922 |

The remuneration of directors is agreed annually by the Dunedin City Council in accordance with the policies that it sets from time to time. The remuneration of management is determined by the remuneration committees of each board having regard to the performance of individuals and market trends.

**31 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Operating profit/(loss) | 21,786 | 19,437 |
| Share of net (profit)/loss in associated companies | (827) | (2,301) |
| *Items not involving cash flows* | | |
| Depreciation | 42,267 | 41,287 |
| Depletion of forest | 11,333 | 10,673 |
| Deferred tax | 7,734 | 7,559 |
| Write (up)/down of forestry land/buildings for sale | 207 | (5,043) |
| Write (up)/down of DRL property, plant and equipment, and inventories | - | (2,297) |
| Biological assets revaluation | (66) | (7,422) |
| Deferred tax movement to reserve | - | (1,504) |
| Foreign Exchange Movement | 59 | 949 |
| Other non-cash items | 270 | (14,926) |
| *Impact of changes in working capital items* | | |
| (Increase)/Decrease in trade and other receivables | (3,327) | (5,829) |
| (Increase)/Decrease in other current assets | - | - |
| (Increase)/Decrease in inventories | (1,517) | (138) |
| (Increase)/Decrease in prepayments | (46) | (498) |
| (Increase)/Decrease in tax refund due | - | - |
| Increase/(Decrease) in trade and other payables | 1,845 | (3,029) |
| Increase/(Decrease) in provision for tax | 2,895 | 1,041 |
| Increase/(Decrease) in other current liabilities | 45 | 1,232 |
| *Items classified as investing or financing activities* | | |
| Gain on sale of property, plant and equipment | (743) | (240) |
| Loss on sale of property, plant and equipment | 3,167 | 2,143 |
| Interest paid | (232) | - |
| Investment in financial instruments | 2,269 | 14,808 |
| Movement in capital creditors | - | - |
| Net cash inflows from operating activities | 87,119 | 55,902 |

**32 RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

| | Long term borrowings $000's | Short term borrowings $000's | Lease liabilities $000's | Total liabilities $000's |
|---|---|---|---|---|
| **2026** | | | | |
| Opening statement of financial position | 1,413,502 | 1,319 | 10,877 | 1,425,698 |
| Net cash flows | 114,555 | (222) | (3,707) | 110,626 |
| Non-cash movements | 2,269 | - | 1,277 | 3,546 |
| Closing statement of financial position | 1,530,326 | 1,097 | 8,447 | 1,539,869 |

DUNEDIN CITY HOLDINGS LIMITED

## Notes to the consolidated financial statements *for the year ended 30 June 2026*

| | | | | |
|---|---|---|---|---|
| **2025** | | | | |
| Opening statement of financial position | 1,288,354 | 1,436 | 11,877 | 1,301,667 |
| Net cash flows | 110,340 | (118) | (4,171) | 106,051 |
| Non-cash movements | 14,808 | - | 3,171 | 17,979 |
| Closing statement of financial position | 1,413,502 | 1,319 | 10,877 | 1,425,698 |

**33 FINANCIAL STATEMENT RECLASSIFICATIONS**

There have been no prior period reclassifications made during the year ended 30 June 2026.

**34 EVENTS AFTER BALANCE DATE**

Subsequent to balance date, the Boards of Dunedin Stadium Property Limited and Dunedin City Holdings Limited approved capital expenditure of $4.1 million to install a Capacity Reduction System at Forsyth Barr Stadium. The system utilises draped curtaining to configure the stadium for smaller capacity events, enabling the stadium operators, Dunedin Venues, to attract and accommodate a broader range of content.

During the period subsequent to balance date, there was a change in the Board of Directors of Delta Utility Services Ltd. Steve Grave ceased as a director and David Wilson was appointed as a director, effective 1 July 2026.

Subsequent to balance date, Phil King was appointed CEO of Dunedin Venues Management Ltd. Phil commences in his new role on 14th September 2026.

There are no other significant post balance date events.



## Statement of service performance – DCHL *for the year ended 30 June 2026*

The performance targets established in the 2025/26 Statement of Intent for Dunedin City Holdings Ltd and the results achieved for the year ended 30 June 2026 are as follows:

| OBJECTIVES | PERFORMANCE TARGET | OUTCOME |
|---|---|---|
| Monitor performance of DCHL Group companies to ensure returns (financial and other) are optimised | At each board meeting, DCHL reviews DCHL Group companies' operating and financial performance | At each board meeting, the DCHL Board reviewed each of the DCHL Group companies' operating and financial performance against budget, with DIAL reviewed on a quarterly basis. |
| | DCHL Board monitor DCHL Group companies' progress against their SoI targets quarterly | At each board meeting, the DCHL Board monitored each of the DCHL Group companies' progress against their SoI targets on an exception basis. Progress was also reviewed quarterly in preparing the Quarterly Update report to DCC. |
| Seek opportunities to create synergies, leverage experience or expertise across DCHL Group, where appropriate | CHL Board meet with full group of Chairs and Chief Executives twice annually | Throughout the year DCHL has continued to support group-wide co-operation including climate-related reporting and insurances. DCHL also led roundtable meetings with Chairs and Chief Executives. |
| | Synergies have been made across the DCHL Group | |
| Review DCC Investment Framework | Deliver Review of DCC Investment Framework with recommendations | DCHL's Review Report was considered by Council on 26 March 2026. |
| Monitor performance of DCHL portfolio as a whole to ensure returns (financial and other) are optimised. | DCHL Board review consolidated DCHL Group financial performance against budget monthly | Each month the DCHL Board reviewed the consolidated DCHL Group financial performance against budget. |
| | DCHL Board review rates of return for DCHL Group companies | The DCHL board reviewed returns from group companies on a monthly basis and considered portfolio analysis, including rates of return. |
| | DCHL Board provide a quarterly update to DCC's Finance and Council Controlled Organisations Committee on the DCHL Group's performance (financial and other). | A Quarterly Update report was provided to Council or its committees for each quarter. |
| | Deliver at least 2 individual company briefings to Councillors | Two company briefings were held during the year and all companies participated in induction workshops for Councillors. |
| Consider strategic issues. | DCHL Board review the ownership and capital structures of the DCHL Group companies (at least annually) | The ownership and capital structures of the DCHL Group companies are an ongoing consideration of the DCHL Board. Ownership and capital structures were specifically considered at the March board meeting. |
| | Consider capital expenditure proposals and business cases in accordance with company constitutions and SoIs. | Capital expenditure proposals and business cases have been considered in accordance with individual company constitutions and SoIs. |

DUNEDIN CITY HOLDINGS LIMITED

## Statement of service performance – DCHL *for the year ended 30 June 2026*

The performance targets established in the 2025/26 Statement of Intent for Dunedin City Holdings Ltd and the results achieved for the year ended 30 June 2026 are as follows:

| OBJECTIVES | PERFORMANCE TARGET | OUTCOME |
|---|---|---|
| Provide input on DCHL Group companies' medium to long term strategies. | DCHL Board engage with each group company at least annually on strategy | In most cases, the DCHL Board engaged with each group company at least twice during the year. |
| Review and approve DCHL Group Statements of Intent for consistency with Council's strategic direction | Review draft SoIs by 1 March 2026 | The DCHL Board reviewed each of the DCHL Group companies draft SOIs in February 2026. |
| | Approve SoIs by 30 June 2026 | All group company Statements of Intent were reviewed and approved prior to 30 June 2026. |
| Set expectations through annual Letters of Expectation to DCHL Group companies | Send Letters of Expectation to subsidiary and associate companies by 31 December 2025 | Letters of Expectation were sent to group companies on 19 December 2025. |
| Monitor performance of the DCHL group in measuring, reporting and reducing carbon emissions and waste | Refine and continue to implement DCHL's carbon emissions and waste reduction strategies | Progress continued and is reported in the Emissions Summary section of the Annual Report. |
| | Measure and publicly report DCHL group Greenhouse Gas (GHG) emissions in our Annual Report for the group | Progress continued and is reported in the Emissions Summary section of the Annual Report. |
| | Report progress in respect of DCHL Group's carbon roadmap to DCC | Progress continued and is reported in the Emissions Summary section of the Annual Report. |
| Appoint Directors to DCHL Group companies; appoint Chairs to subsidiary companies. | Appointments and re-appointments are all completed on time, and in compliance with DCHL and Council policy. | All appointments and re-appointments made during the 2026 financial year were completed on time, and in compliance with DCHL and Council policy. |
| Ensure companies are good employers, and operate in an environmentally and socially responsible way. DCHL expects Group companies to maintain ongoing focus on health and safety as a top priority. | Ensure DCHL Group companies have appropriate policies and procedures in place | Confirmed that all group companies have appropriate policies and procedures in place and they are reviewed on a regular basis. |
| | DCHL Board review DCHL Group companies' (including DCHL) ESG disclosures in their Annual Reports. | The Board reviewed these sections when Annual Reports were published. |
| Living wage | All direct employees of the company and the group are paid at living wage or above | All employees were paid equal to or higher than the living wage. |
| Health and safety | DCHL Board review DCHL Group companies' Health and Safety measures in regular periodic reporting | The Board monitored key measures each month. |
| Consult with the shareholder in a timely manner on DCHL Group strategic or operational matters which could compromise the Council's community outcomes | All such matters escalated to the shareholder in a timely manner. | All strategic or operational matters which could compromise the Council's community outcomes, were reported to the shareholder in a timely manner. |



## Statement of service performance – DCHL *for the year ended 30 June 2026*

The performance targets established in the 2025/26 Statement of Intent for Dunedin City Holdings Ltd and the results achieved for the year ended 30 June 2026 are as follows:

| OBJECTIVES | PERFORMANCE TARGET | OUTCOME |
|---|---|---|
| | DCHL board provide briefings to Councillors on matters of significance as required. | Briefings were provided on all matters of significance required. |
| Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage | All such matters reported to the shareholder within 24 hours | All substantive matters were reported to the shareholder within 24 hours of the DCHL Board becoming aware of them. |

DUNEDIN CITY HOLDINGS LIMITED

**Statement of service performance – DCHL Group** *for the year ended 30 June 2026*

The performance targets established in the 2025/26 Statement of Intent for Dunedin City Holdings Ltd and the results achieved for the year ended 30 June 2026 are as follows:

## Other financial forecasts - DCHL Group

| Financial forecasts | | $'000 | Financial achievement | | $'000 |
|---|---|---|---|---|---|
| Shareholder's funds to total assets | | 21% | Shareholder's funds to total assets | | 19% |
| Interest paid to shareholder | | 5,902 | Interest paid to shareholder | | 5,902 |
| Dividend distributions | | 9,000 | Dividend distributions | | 9,000 |
| EBITDA | | 144,618 | EBITDA | | 138,107 |
| Net profit after tax | | 26,219 | Net profit after tax | | 21,786 |
| Cash flow from operations | | 76,139 | Cash flow from operations | | 87,119 |
| Capital expenditure | | 121,319 | Capital expenditure | | 91,698 |
| Shareholder's funds | | 523,738 | Shareholder's funds | | 452,872 |
| Term loans | parent | 30,416 | Term loans | parent | 28,744 |
| | group | 1,554,594 | | group | 1,530,326 |



**Statement of service performance – Group measures** *for the year ended 30 June 2026*

The performance targets established as significant to the group in the DCHL 2025/26 Statement of Intent for subsidiaries and the results achieved for the year ended 30 June 2026 are as follows:

| OBJECTIVES | PERFORMANCE TARGET | OUTCOME |
|---|---|---|
| **Aurora Energy Limited** | | |
| Zero serious harm events involving members of the public | Number of serious injury events (excluding third party contacts with the network) involving members of the public<br>Target: Nil | There were no serious harm events involving members of the public |
| Reduce harm to employees and contractors | Board and Leadership site visits and safety observations<br>Target: 100 | There were 156 Board and Leadership site visits and safety observations |
| Effective long-term planning for Aurora Energy's asset portfolio is in place | Annual and compliant Asset Management Plan is published as per regulatory requirements | A 10-year Asset Management Plan (AMP) Update was published by 31st March 2026 for the 2027-2036 period |
| **Reliability Performance Targets (Statement of Intent Targets – Period Ended 31 March 2025)** | | |
| SAIDI<br>System Average Interruption Duration Index<br>- Class B Interruptions (Planned) | Average minutes without electricity per consumer year ended 31 March 2026: ≤ 215.55 minutes | 85.35 minutes |
| SAIDI<br>System Average Interruption Duration Index<br>- Class C Interruptions (Unplanned) | Average minutes without electricity per consumer year ended 31 March 2026: ≤ 128.36 minutes | 112.46 minutes |
| SAIFI<br>System Average Interruption Frequency Index<br>- Class B Interruptions (Planned) | Average frequency of outages per consumer year ended 31 March 2026: ≤ 1.22 | 0.49 interruptions |
| SAIFI<br>System Average Interruption Frequency Index<br>- Class C Interruptions (Unplanned) | Average frequency of outages per consumer year ended 31 March 2026: ≤ 1.97 | 1.29 interruptions |
| **Delta Utility Services Limited** | | |
| Maintain effective Health and Safety systems and processes supported by positive organisational culture to enable the Company value of Everyone Home Safe, Every Day | Total recordable injury frequency rate (TRIFR) per 200,000 hours worked of ≤ 3.50 | Total recordable injury frequency rate (TRIFR) for the year was 3.40 per 200,000 hours worked. This was slightly under the target of ≤ 3.5. The severity of the incidents was minor and most related to the high amount of manual handling that is a requirement of the work we complete |

DUNEDIN CITY HOLDINGS LIMITED

## Statement of service performance – Group measures *for the year ended 30 June 2026*

The performance targets established as significant to the group in the DCHL 2025/26 Statement of Intent for subsidiaries and the results achieved for the year ended 30 June 2026 are as follows:

| OBJECTIVES | PERFORMANCE TARGET | OUTCOME |
|---|---|---|
| | Maintain ISO 45001 Occupational Health and Safety Management System accreditation | The Company maintained ISO 45001 Occupational Health and Safety Management System accreditation throughout the year |
| **City Forests Limited** | | |
| To ensure that the appropriate yield monitoring systems are in place and sufficient forest is available to achieve long term sustainable yield from the forest estate. | The Company's annual harvest volumes as detailed in the strategic plan will be within 30% of projected long term sustainable yield. | The annual harvest from the Company Forest estate during the year was 409,407m3 including additional billet wood and slash recovered. This is 114.7% of plan volume of 356,966m3 which was the FY2026 sustainable harvest level. Sustainable harvest levels in the long-term strategic plan for the next 3 years are; 373k m3, 373k m3 and 373k m3. This is the updated sustainable harvest level. |
| To minimise lost time accidents, injuries and property damage. | Lost time accident rates for staff and contractors will be minimised and tracked with a target of less than 15 lost time accidents per 1,000,000 hours worked. | 12 month rolling lost time accident rate for staff and forest contractors was 12.4 lost time injuries per 1,000,000 hours |
| To maintain Environmental Certification of the Company's forests (currently FSC). | Forest Stewardship Council Certification of the Forest Estate will be maintained. | Forest Stewardship Council Certification was maintained following audit in 2025 |
| **Dunedin Venues Management Limited** | | |
| Visitor Marginal Direct Spend target is achieved, determined through a post event patron survey assessed by an independent economist. | A minimum of $5m visitor marginal direct spend for Dunedin City per each major event which uses Event Attraction Funding. | The Visitor Marginal Direct Spend for major events in the year to 30 June 2026 as determined by an independent economist were as follows:<br>Event/Visitor Marginal Direct Spend ($,000)<br>All Blacks v France 13,200<br>Hot Wheels Monster Trucks 5,940<br>Total $19,140 |
| | Achieve minimum 80% satisfaction rating through surveys of all major events (>10,000 pax). | Not achieved.<br>Satisfaction and attendance numbers for major events in the year to 30 June 2026 were:<br>Event/Satisfaction<br>All Blacks v France 95%<br>Hot Wheels Monster Trucks 66% |
| Report on Safety & Wellness management and provide statistical data at each scheduled Board meeting | An Incident Frequency Rate Events (IFRE) of less than 0.05% of the total number of event attendees across all venues | Achieved - The Incident Frequency Ratewas 0.024% of the total number of people attending events at the venues for the reporting period |



## Statement of service performance – Group measures *for the year ended 30 June 2026*

The performance targets established as significant to the group in the DCHL 2025/26 Statement of Intent for subsidiaries and the results achieved for the year ended 30 June 2026 are as follows:

| OBJECTIVES | PERFORMANCE TARGET | OUTCOME |
|---|---|---|
| **Dunedin Stadium Property Limited** | | |
| Ensure an Asset Management Plan which enables general use of the stadium, and meets asset warranty and guarantee requirements, is in place. | An Asset Management Plan is in place. | An Asset Management Plan is in place. |
| Ensure assets are appropriately maintained. | A current Building Warrant of Fitness is always maintained for the stadium. | A current Building Warrant of Fitness is in place. |
| | The Board monitors progress against the Asset Management Plan and material changes to approved budgets. | The Board monitored progress against the Asset Management Plan and considered any material changes to the approved budgets at Board meetings during the year. |
| **Dunedin Railways Limited** | | |
| Develop long-term strategy and a robust model. | Complete long-term strategic plan. | Achieved - Strategic plan was completed and approved during the year |
| Ensure the safety, reliability, and efficiency of DRL's infrastructure. | Track maintenance plan in place. Board monitors changes to plan and approves material changes to budget. | Achieved - preliminary plan in place whilst refinement on long term renewal plan continues with board oversight |
| Maintenance is carried out without affecting train operations. | No unplanned delays to regular scheduled passenger operations. | Achieved |
| Reduce harm to employees and contractors. | Lost time incidents are less than two. | Achieved - LTI was 1 in FY2026 |
| **Dunedin City Treasury Limited** | | |
| Manage the liquidity risk of the DCC Group and use a variety of funding sources to achieve appropriate levels of funds as required by the DCC Group. | Zero breaches of DCC Treasury Risk Management Policy's borrowing maturity profile. | There were no breaches of DCC Treasury Risk Management Policy's borrowing maturity profile. |
| Utilise a portfolio approach to minimise funding costs and manage interest rate risk in accordance with the DCC Treasury Risk Management Policy. | Zero breaches of DCC Treasury Risk Management Policy's interest rate risk policy. | There were no breaches of DCC Treasury Risk Management Policy's interest rate risk policy. |
| Securely invest surplus cash available from within the DCC Group, ensuring funds deposited outside the DCC Group are compliant with the DCC Treasury Risk Management Policy. | Zero breaches of DCC Treasury Risk Management Policy's investment management policy. | There were no breaches of DCC Treasury Risk Management Policy's investment management policy. |

DUNEDIN CITY HOLDINGS LIMITED

## Statement of associate performance *for the year ended 30 June 2026*

Dunedin International Airport Limited

The performance targets established as significant to the group in the DCHL 2025/26 Statement of Intent for Dunedin International Airport Limited, and the results achieved for the year ended 30 June 2026 are as follows:

| OBJECTIVES | PERFORMANCE TARGET | OUTCOME |
|---|---|---|
| Maintain our assets to ensure no delays caused by DIAL to scheduled passenger operations. | Zero on-time performance delays to regular passenger transport operations due to airport owned infrastructure. | NOT ACHIEVED<br><br>Air New Zealand reported seven delays to regular passenger transport operations due to Dunedin Airport owned infrastructure.<br><br>One due to an airbridge malfunction, three due to baggage system malfunctions, one due to an issue with a security gate delaying refuelling, and two due to an urgent repair needed on the runway.<br><br>Jetstar reported no delays due to infrastructure owned by Dunedin Airport. |
| Work to ensure Dunedin remains a well-connected gateway, benefiting both the community and the broader regional economy | Year on year improvement in passenger volumes. | ACHIEVED<br><br>Passenger volumes increased by 22,887 (2.7%) during the 2026 financial year to 876,699. |
| Transform our approach to safety and security risk management. | Nil serious harm to our staff, airport users or contractors. | ACHIEVED<br><br>There were no serious harm* injuries during the 2026 financial year.<br><br>*As defined in the WorkSafe Accident and Accident Notification Definitions |

The Audit Office
Te Mana Arotake

**Independent Auditor's Report**

**To the readers of Dunedin City Holdings Limited's group financial statements and performance information for the year ended 30 June 2026**

The Auditor-General is the auditor of Dunedin City Holdings Limited (the Group). The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of The Audit Office, to carry out the audit of the financial statements and performance information on his behalf.

## Qualified opinion

We have audited:

- the financial statements of the Group that comprise the statement of financial position as at 30 June 2026, the statement of financial performance, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include material accounting policy information and other explanatory information on pages 46 to 96; and
- the performance information that consists of the statement of service performance of the Group for the year ended 30 June 2026 on pages 97 to 103.

In our opinion, except for the effects of the matters described in the *Basis for our qualified opinion* section of our report:

- the financial statements of the Group present fairly, in all material respects, its financial position as at 30 June 2026, and its financial performance and cash flows for the year then ended, in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the Group accurately reports, in all material respects, the Group's actual performance compared against the performance targets and other measures adopted for the year ended 30 June 2026, and has been prepared, in all material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).





## Basis for our qualified opinion

***Financial statements: Stadium assets were not tested for impairment under NZ IAS 36***

As outlined in the statement of compliance on page 52, the Group is designated as a for-profit entity for financial purposes. The Group includes Dunedin Stadium Property Limited (the Stadium company), which is designated as a public benefit entity.

As a public benefit entity, the Stadium company has concluded that the value of its stadium assets of $129 million, as included within property, plant and equipment in the Group financial statements, is not impaired. This is because the Stadium company is primarily there to operate and provide services to the public, rather than to generate a commercial return. However, the Group as a for-profit entity, is required to consider whether the value of the stadium assets has been impaired, based on forecast cash flows. There is an indicator that the value of the stadium assets to the Group is impaired.

The impairment to the stadium assets is expected to be material to the Group's financial position. However, the Group has not assessed the value of the stadium assets on a commercial basis as outlined in note 10 on page 67, which is a departure from the requirements of NZ IAS 36 *Impairment of Assets.* We did not determine this value because it was impracticable for us to do so.

We issued a qualified opinion on the Group's 30 June 2025 financial statements for the same reasons described above.

***Financial statements: fair value movements on advances in the prior year not recognised***

In the year ended 30 June 2024, the Group concluded that its related party advances did not meet the requirements in NZ IFRS 9, *Financial Instruments* to be measured at amortised cost. These assets should therefore have been measured at fair value through profit or loss as at 30 June 2024 but the Group measured these at amortised cost.

Following modifications to contractual lending agreements during the year ended 30 June 2025, the related party advances outstanding at 30 June 2025 met the criteria for measurement at amortised cost. However, as the Group did not measure its related party advances at fair value up to the date of the contract modifications, in accordance with the requirements of NZ IFRS 9, it did not recognise fair value movements (including reversals) within profit or loss for the year ended 30 June 2025 in relation to those advances. As a consequence, we concluded that the reported profit after taxation of $19,437,000 for the year ended 30 June 2025, presented as comparative information, was not materially correct and our opinion for the year ended 30 June 2025 was qualified in respect of this matter.

Accordingly, our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

***Performance information: Limited evidence to support the "Shareholder's funds to total assets" and "Net profit after tax" performance measures.***

The performance information of the Group contains certain financial related performance measures derived from the financial statements. As a consequence of the impact of the matters above on the financial statements, we were also unable to obtain adequate evidence to support the Group's "Shareholder's funds to total assets" and "Net profit after tax" performance measures presented on page 100.

We issued a qualified opinion on the Group's 30 June 2025 performance information for the same reasons outlined above.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Responsibilities of the Board of Directors for the financial statements and performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and comply with New Zealand equivalents to International Financial Reporting Standards. The Board of Directors is also responsible for preparing the performance information contained in the statement of service performance of the Group in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and performance information of the Group, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.





## Responsibilities of the auditor for the audit of the financial statements and performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We evaluate the overall presentation, structure and content of the performance information, including the disclosures, and assess whether the performance information achieves its statutory purpose of enabling the Group's readers to judge the actual performance of the Group against its objectives in its statement of intent.

- We plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information and performance information of the entities or business units within the group as a basis for forming an opinion on the group financial statements and the group performance information. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### Other information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and performance information consisting of statement of service performance, and our auditor's report thereon.

Our qualified opinion on the financial statements and performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and performance information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the *Basis for our qualified opinion* section above, we could not obtain adequate evidence over the carrying value of stadium assets and the reported comparative profit after taxation of $19,437,000. Accordingly, we are unable to conclude whether the other information is materially misstated with respect to these matters.

### Independence

We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.



The Audit Office
Te Mana Arotake

In addition to the audit, we have carried out engagements in the areas of statutory and regulatory engagements for the Group's subsidiaries and associate, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the Group.

Rudie Tomlinson
The Audit Office
On behalf of the Auditor-General
Dunedin, New Zealand
25 September 2026

# Statutory information

## For the year ended 30 June 2026

### Directors' declarations of interest for the year ended 30 June 2026

| Director | Responsibilities | Declarations of interest |
|---|---|---|
| **Tim Loan**<br>3 October 2022-present<br>*(Chair 29 February 2024-present)* | Non-Executive Director/Chair | Director, *Dunedin City Holdings Limited*<br>Director, *Dunedin City Treasury Limited*<br>Director, *Dunedin Stadium Property Limited*<br>Director, *Dunedin Railways Limited*<br>Director & Shareholder, *Abbot Insurance Brokers Southern Limited*<br>Director, *Finance Now Limited (including subsidiary companies: TW Financial Services Operations Limited, The Warehouse Financial Services Ltd and SBS Money Limited*<br>Director and Shareholder, *LWB Holdings Limited*<br>Director, *Presbyterian Support Southland Holding Company Limited*<br>Director, *Presbyterian Support Southland Retirement Villages Limited*<br>Chair, *H&J Smith Holdings Limited (including subsidiary companies: H&J Smith Limited, H&J Smith Parking Building Limited, Outdoor World Limited, Outdoor Adventures Limited (dormant), H&J's Hardware Limited (dormant), Southern Department Stores Limited (dormant), Shotover Hardware Limited, Symphony Retailing Limited, Cross Roads Properties Limited, H&J.'s Electrical Limited, H&J's Properties Limited, H&J Smith Corporate Limited, H&J Smith Finance Limited)* |
| **Susie Johnstone**<br>1 March 2021-present | Non-Executive Director | Director, *Dunedin City Holdings Limited*<br>Director, *Dunedin City Treasury Limited*<br>Director, *Dunedin Stadium Property Limited*<br>Director, *Dunedin Railways Limited*<br>Director & Shareholder, *Shand Thomson Chartered Accountants*<br>Director, *SDH GP Limited*<br>Trustee, *Dunedin Diocese Trust Board*<br>Trustee, *Clutha Community Foundation*<br>Trustee of various client trusts through Shand Thomson & Abacus Nominee Companies |



| Director | Responsibilities | Declarations of interest |
|---|---|---|
| **Greg Anderson**<br>1 July 2023-present | Non-Executive Director | Director, *Dunedin City Holdings Limited*<br>Director, *Dunedin City Treasury Limited*<br>Director, *Dunedin Stadium Property Limited*<br>Director, *Dunedin Railways Limited*<br>Director and Shareholder, *Northington Partners Limited (including subsidiary companies Northington Agricapital Limited, NPL Investments Limited and NPL No.1 Holdco Limited)*<br>Director and Shareholder, *Cultivate Ventures GP Limited (including related entity NPL No. 2 LP Limited)*<br>Director and Shareholder, *NZ Drinks Holdings Limited (including subsidiary NZ Drinks Limited)*<br>Director and Shareholder, *Hedgebook Limited*<br>Director and Shareholder, *Stirling Sports Limited*<br>Director and Shareholder, *Reliable Foundations Holdings Limited (including subsidiary companies and related entities: Reliable Foundations NZ Limited, Reliable Foundations (South Island) Limited, RFL Earthworks NZ Limited, RFL Earthworks (South Island) Limited, Reliable Foundations GP Limited, NPL No.1 LP Limited)*<br>Director and Shareholder, *Agri Realty Limited*<br>Director and Shareholder, *Ra Tuatahi No. 1 Limited*<br>Trustee, *St Margaret's College Foundation* |
| **Chris Milne**<br>1 July 2023-present | Non-Executive Director | Director, *Dunedin City Holdings Limited*<br>Director, *Dunedin City Treasury Limited*<br>Director, *Dunedin Stadium Property Limited*<br>Director, *Dunedin Railways Limited*<br>Director and Shareholder, *Murray & Company Limited*<br>Chair, *CSO Foundation Trust*<br>Director, *Southern Eye Specialists Limited* |
| **Shane Ellison**<br>1 July 2025-present | Non-Executive Director | Director, *Dunedin City Holdings Limited*<br>Director, *Dunedin City Treasury Limited*<br>Director, *Dunedin Stadium Property Limited*<br>Director, *Dunedin Railways Limited*<br>Director , *Waipā Networks Limited and Waipā Networks Growth Limited*<br>Infrastructure and Resources Director and Investment Manager for Te Ātiawa o Te Waka a Māui, *Koau Capital Partners Limited*<br>Member, *Kāti Huirapa Rūnaka ki Puketeraki*<br>Member, *Te Rūnaka o Ōtākou*<br>Iwi Member, *Ngāti Mutunga, Te Ātiawa, and Ngāti Ruanui*<br>Director and Shareholder, *Tāwhirimātea Advisory (Ngā Kaitohutohu o Tāwhirimātea) Limited*<br>Director, *Aukaha (1997) Limited*<br>Commercial Advisor to Ka Taki te Umere Limited |

## Directors' remuneration and benefits

| | Company | Remuneration $'000 |
|---|---|---|
| **Parent Company** | | |
| Tim Loan | Dunedin City Holdings Ltd | 130 |
| Susie Johnstone | Dunedin City Holdings Ltd | 65 |
| Greg Anderson | Dunedin City Holdings Ltd | 65 |
| Chris Milne | Dunedin City Holdings Ltd | 65 |
| Shane Ellison | Dunedin City Holdings Ltd | 65 |
| **Parent Company total** | | **390** |

## Subsidiaries & associated companies

| | | |
|---|---|---|
| **Tim Loan** | Dunedin City Treasury Ltd | nil |
| | Dunedin Stadium Property Ltd | nil |
| | Dunedin Railways Ltd | nil |
| **Shane Ellison** | Dunedin City Treasury Ltd | nil |
| | Dunedin Stadium Property Ltd | nil |
| | Dunedin Railways Ltd | nil |
| **Susie Johnstone** | Dunedin City Treasury Ltd | nil |
| | Dunedin Stadium Property Ltd | nil |
| | Dunedin Railways Ltd | nil |
| **Greg Anderson** | Dunedin City Treasury Ltd | nil |
| | Dunedin Stadium Property Ltd | nil |
| | Dunedin Railways Ltd | nil |
| **Chris Milne** | Dunedin City Treasury Ltd | nil |
| | Dunedin Stadium Property Ltd | nil |
| | Dunedin Railways Ltd | nil |
| **David O'Malley** | Dunedin Stadium Property Ltd | 27 |
| **Stephen Thompson** | Aurora Energy Ltd | 118 |
| **Simon Clarke** | Aurora Energy Ltd | 59 |
| **Janice Fredric** | Aurora Energy Ltd | 59 |
| **Wendie Harvey** | Aurora Energy Ltd | 59 |
| **Stephen Lewis** | Aurora Energy Ltd | 59 |
| **Kenneth Sutherland** | Aurora Energy Ltd | 59 |
| **Peter Carnahan** | Delta Utility Services Ltd | 90 |
| **Jane George** | Delta Utility Services Ltd | 45 |
| **Steve Grave** | Delta Utility Services Ltd | 45 |
| **Cameron Baudinet** | Delta Utility Services Ltd | 45 |
| **Scott Mason** | City Forests Ltd | 82 |
| **Alison Posa** | City Forests Ltd | 41 |
| **Kate Bromfield** | City Forests Ltd | 41 |
| **Phil Melhopt** | City Forests Ltd | 41 |
| **Adam La Hood** | Dunedin Venues Management Ltd | 26 |
| **Dylan Rushbrook** | Dunedin Venues Management Ltd | 26 |
| **Verity Webber** | Dunedin Venues Management Ltd | 26 |
| **Lee Piper** | Dunedin Venues Management Ltd | 52 |
| **Adrian Januszkiewicz** | Dunedin Railways Ltd | 52 |
| **Philip O'Connell** | Dunedin Railways Ltd | 22 |
| **Chris Hopkins** | Dunedin International Airport Ltd | 66 |
| **Katie Breathnach** | Dunedin International Airport Ltd | 33 |
| **Timothy Hunter** | Dunedin International Airport Ltd | 33 |
| **Catherine Taylor** | Dunedin International Airport Ltd | 41 |

No director of the Group has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total remuneration received or due, and receivable by the directors as disclosed in the Group financial statements). No directors have received loans from the parent Company or the Group.

There were no notices from directors of the Group requesting to use Group information which had been received in their capacity as directors, and which would not otherwise have been available to them.

## Employee remuneration

| Remuneration range | DCHL Group |
|---|---|
| $690,000-699,999 | 1 |
| $430,000-439,999 | 1 |
| $420,000-429,999 | 2 |
| $400,000-409,999 | 1 |
| $380,000-389,999 | 1 |
| $340,000-349,999 | 2 |
| $300,000-309,999 | 1 |
| $290,000-299,999 | – |
| $280,000-289,999 | 2 |
| $260,000-269,999 | 5 |
| $250,000-259,999 | – |
| $240,000-249,999 | 1 |
| $230,000-239,999 | 2 |

| Remuneration range | DCHL Group |
|---|---|
| $220,000-229,999 | 5 |
| $210,000-219,999 | 6 |
| $200,000-209,999 | 8 |
| $190,000-199,999 | 10 |
| $180,000-189,999 | 8 |
| $170,000-179,999 | 23 |
| $160,000-169,999 | 16 |
| $150,000-159,999 | 21 |
| $140,000-149,999 | 42 |
| $130,000-139,999 | 33 |
| $120,000-129,999 | 42 |
| $110,000-119,999 | 68 |
| $100,000-109,999 | 62 |

## Gender pay gap

This year the DCHL Group has calculated and reported the consolidated group's gender pay gap.

Gender pay gap compares the average hourly earnings of women and men in full- and part- time work (as opposed to pay equity which would compare the pay between similar roles). In calculating this disclosure we took into account the Organisational Gender Pay Gaps: measurement and analysis guidelines (State Services Commission, Ministry for Women and StatsNZ, 2020).

Most DCHL Group companies fall beneath the minimum organisation size of 100 employees in order to have statistically robust data. For this reason we have elected to report at a consolidated group level. In calculating this disclosure we have included full time and part time employees, as at 30 June 2025. We collated mean hourly pay for male employees and mean hourly pay for female employees from each subsidiary, and calculated a weighted average to reach the following data:

| Male employees Number of employees | Weighted mean hourly pay | Female employees Number of employees | Weighted mean hourly pay | Pay gap % |
|---|---|---|---|---|
| 647 | $49.54 | 230 | $46.59 | 6% |

Fewer than 20 employees across the group identified as gender diverse or did not state a gender identity. While this group was too small for statistical comparison, companies will make an effort to consider whether they experience pay differences.

DCHL Group companies do not hold data that would enable reporting of ethnicity pay gap/s, but we will look into this for future years.

### Gender diversity across the DCHL group

| | Aurora Energy Ltd | City Forests Ltd | Delta Utility Services Ltd | Dunedin City Treasury Ltd | Dunedin Stadium Property Ltd |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Male | 4 | 2 | 3 | – | 1 |
| Female | 2 | 2 | 1 | – | – |
| | **6** | **4** | **4** | **–** | **1** |
| **Senior management** | | | | | |
| Male | 17 | 4 | 6 | – | – |
| Female | 9 | 1 | 3 | – | – |
| | **26** | **5** | **9** | **–** | **–** |
| **All staff** | | | | | |
| Male | 109 | 10 | 462 | – | – |
| Female | 64 | 4 | 112 | – | – |
| | **173** | **14** | **574** | **–** | **–** |

| | Dunedin Venues Management Ltd | Dunedin Railways Ltd | Dunedin Int. Airport Ltd | Dunedin City Holdings Ltd | Group total | % |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| Male | 3 | 6 | 2 | 4 | 25 | 71 |
| Female | 1 | 1 | 2 | 1 | 10 | 29 |
| | **4** | **7** | **4** | **5** | **35** | **100** |
| **Senior management** | | | | | | |
| Male | 1 | 4 | 4 | 2 | 38 | 66 |
| Female | 3 | 3 | 1 | – | 20 | 34 |
| | **4** | **7** | **5** | **2** | **58** | **100** |
| **All staff** | | | | | | |
| Male | 6 | 22 | 35 | 3 | 647 | 74 |
| Female | 14 | 19 | 12 | 2 | 227 | 26 |
| | **20** | **41** | **47** | **5** | **874** | **100** |



# Directory

## Directors
Tim Loan
Susie Johnstone
Greg Anderson
Chris Milne
Shane Ellison

## General Manager
Peter Hocking

## Registered office
50 The Octagon
Dunedin
New Zealand

## Bankers
Westpac

## Taxation advisors
Deloitte

## Solicitors
Anderson Lloyd

## Auditor
The Audit Office, on behalf of the Controller and Auditor General

# DUNEDIN CITY HOLDINGS LIMITED

50 The Octagon, Dunedin Central
Dunedin 9016

# Dunedin City Treasury Limited

# Annual Report
# 2026

## Dunedin City Treasury Limited

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## Dunedin City Treasury Limited

### Directors' report
### For the year ended 30 June 2026

This report presents Dunedin City Treasury Limited's (the Company's) results for the year ended 30 June 2026.

### Principal activities of the Company

The Company's principal activities are to:

- Source debt and on-lend to DCC and its CCO's, and ensure funds are available to meet obligations.
- Minimise funding costs, and maximise return of surplus funds, within agreed acceptable levels of risk.
- Manage financial markets risk and ensure compliance with DCC's Treasury Risk Management Policy.
- Manage financial relationships with third parties.
- Separately, manage the Waipori Fund on behalf of DCC.

### Results for the year ended 30 June 2026

| | $'000 |
|---|---|
| Profit (loss) before tax | 631 |
| Income tax expense/(credit) | (198) |
| Net profit (loss) for the year | 433 |

### Review of operations

During the financial year, interest rate markets evolved, with a decline in short-term interest rates and a modest increase in longer-term yields. Despite these changing market conditions, the Company performed well.

The Company issued five tranches of term debt over the 2025/26 financial year. Four of which were arranged through the Local Government Funding Agency (LGFA) with the remainder arranged via one bank debt capital markets counterparty. The Company's Promissory Note programme continues to consistently meet short term funding requirements at attractive margins.

All of the new term debt was raised in floating rate format, with terms to maturity ranging from 3-9 years.

The Company increased its Promissory Note funding, being the least expensive form of debt, increasing the amounts of Promissory Notes on issue from $195.5 million as at 30 June 2025 to $235.0 million as at 30 June 2026.

The Company's Promissory Note programme continues to be a very cost effective source of funding, with the average rate achieved being just +0.06% above the floating benchmark interest rate, decreasing from +0.08% in 2025. The average bid coverage ratio was 2.6 times the Promissory Notes tendered, with some tenders receiving bid coverage as high as 3 to 4 times the volume of Notes offered. This illustrates continued strong investor appetite for the Company's paper given the sound credit profile of the Dunedin City Council (DCC) Group.

## Dunedin City Treasury Limited

### Directors' report
### For the year ended 30 June 2026

The cost of funds for the Company, and therefore the DCC Group, has remained relatively stable over the 2025/26 financial year, decreasing slightly from around 3.87% as at 30 June 2025 to 3.86% as at 30 June 2026. The Company's base cost of funds, excluding the average Issue Margin paid on securities issued, is 3.22% (3.86% less average Issue Margin of 0.64%). This compares favourably to the current Reserve Bank Official Cash Rate (OCR) of 2.50% and the recent peak in the OCR of 5.50%.

The Company's average term of debt funding is more than 3 years and average term of interest rate hedging is greater than 4 years. The debt portfolio remains well diversified, with approximately 24% of borrowings having maturities of greater than 5 years.

The Company's activity is governed by the DCC Treasury Risk Management Policy, which sets out how financial market risks are managed across the Group. The Company maintained compliance with the Policy during the 2026 financial year and continues to manage funds in the best interests of its borrowers.

The Company continues to ensure that funding facilities are spread over time, to help manage funding risk. As at 30 June 2026, the Company had less than $450 million of outstanding funding facilities due to mature in any forward one-year period.

The Standard & Poor's credit rating of both the Company and the DCC is AA- currently, and remains on Negative Outlook. A downgrade in March 2025 was largely due to Standard & Poor's lowering their institutional framework assessment for New Zealand councils. Despite the current AA- credit rating with Negative Outlook, the current credit profile is strong and well considered by investors.

The Board considers that the Company continues to provide significant benefit to the DCHL Group, DCC and Dunedin ratepayers through its provision of cost-effective funding for the DCC Group.

#### State of affairs

The Directors believe that the state of affairs of the Company is satisfactory.

#### Outlook

The Company is soundly based and conservatively managed. The Board believes that the Company will be able to continue to provide a sound treasury function to the Dunedin City Council Group in the coming years.

#### Dividends

In line with the Company's dividend policy, the Directors recommend that no dividend be paid.

#### Financial statements

The audited financial statements for the year ended 30 June 2026 are attached to this report.

## Dunedin City Treasury Limited

# Directors' report
# For the year ended 30 June 2026

### Auditors

The Auditor-General has contracted the audit to The Audit Office. The total remuneration payable by the Company to the Auditor for the year was $64,743 (2025: $86,888).

### Directors' interests in contracts

No material contracts involving Directors' interests were entered into during the year ended 30 June 2026 or existed at the end of this twelve month period.

### Directors' insurance

As allowed by the Company's Constitution, Dunedin City Treasury Limited has arranged policies of Directors' Liability Insurance which, together with a Deed of Indemnity, ensure that the Directors will incur no monetary loss as a result of actions undertaken by them as Directors, provided that they operate within the law.

### Directors' benefits

No Director of Dunedin City Treasury Limited has, since the end of the previous financial year, received or become entitled to receive a benefit.

There were no loans from the Company to Directors.

There were no notices from Directors of the Company requesting use of Company information received in their capacity as Directors which would not otherwise have been available to them.

### Directors' remuneration

| *Director* | *Position* | *Remuneration* |
|---|---|---|
| Tim Loan | Chair | Nil |
| Susie Johnstone | Non-executive director | Nil |
| Chris Milne | Non-executive director | Nil |
| Greg Anderson | Non-executive director | Nil |
| Shane Ellison | Non-executive director | Nil |

Directors of the Company are also directors of its parent company, Dunedin City Holdings Limited (DCHL), and are remunerated by DCHL.

## Dunedin City Treasury Limited

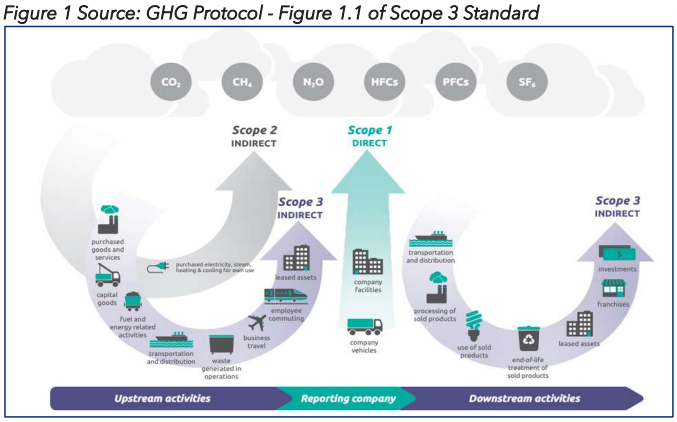
### Greenhouse gas emissions summary
### For the year ended 30 June 2026

During the year we have assessed and measured our Greenhouse Gas (GHG) emissions.

We completed this process in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2006 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

At this stage we have focussed on measuring our Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions.

*Figure 1 Source: GHG Protocol - Figure 1.1 of Scope 3 Standard*




**Scope 1 emissions** are direct emissions that are operationally controlled by DCTL, including:
- Stationary combustion emissions related to LPG heating at DCTL's office.
- Fugitive emissions from refrigerant use within HVAC air conditioning systems at DCTL's office.

**Scope 2 emissions** are indirect GHG emissions from imported energy, including:
- Purchased electricity that is consumed at DCTL's office.

The Scope 3 emissions: to provide alignment across the Dunedin City Holdings Limited (DCHL) group of companies, a consistent set of Scope 3 emission categories have been applied, which are waste, travel and freight.

Our **Scope 3 emissions** include the following:
- Waste generated at DCTL's office.
- Business travel (including home to work).

At this stage we have not captured emissions relating to our suppliers and contractors.
We will review which Scope 3 emissions are relevant and appropriate on an ongoing basis, as we continue to measure and report our carbon footprint.

## Dunedin City Treasury Limited

### Results

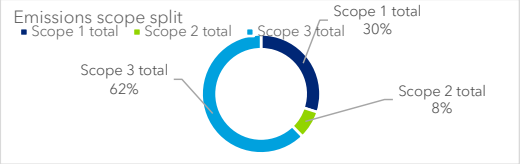
Emissions are reported as tonnes (t) of Carbon Dioxide (CO2) equivalent (e); or tCO2-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

DCTL's measured GHG emissions for the year end 30 June 2026 are 1.78 tCO2-e.

*Table 1 Emissions by Scope*

| Scope | tCO2-e | % of total |
|---|---|---|
| Scope 1 | 0.54 | 30% |
| Scope 2 | 0.14 | 8% |
| Scope 3 | 1.11 | 62% |
| Total | **1.78** | **100%** |

*Figure 2 Emissions by Scope*




Our top emissions sources are summarised below.

*Table 2 Emissions by activity*

| Category emission source | tCO2-e |
|---|---|
| Fuels | 0.54 |
| Staff Commute | 1.06 |
| Flights (domestic) | 0.00 |
| Waste | 0.04 |
| Purchased electricity | 0.14 |
| Electricity transmission losses | 0.00 |
| Total | **1.77** |

*Figure 3 Emissions by activity kg CO2-e*

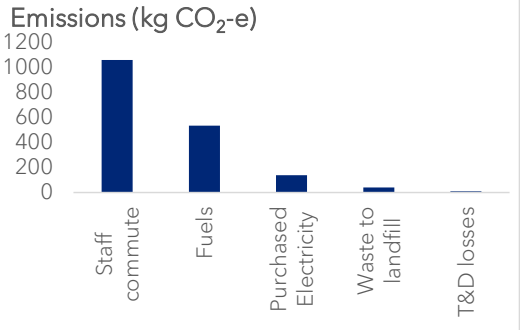



*Table 3 Emissions by scope, by year*

| Scope | FY23 tCO2-e | FY24 tCO2-e | FY25 tCO2-e | FY26 tCO2-e |
|---|---|---|---|---|
| Scope 1 | 0.95 | 0.45 | 0.45 | 0.535 |
| Scope 2 | 0.16 | 0.15 | 0.18 | 0.138 |
| Scope 3 | 1.79 | 1.74 | 1.71 | 1.11 |
| Total | **2.90** | **2.34** | **2.33** | **1.78** |

DCTL adopted a FY23 base year for its emissions reporting. This base year was chosen because FY23 was the first year in which staff commuting was measured and reported, which is a significant Scope 3 emissions source that DCTL can track.

Since FY23 the most significant decrease in emissions has been for Scope 1. This reduction is due to the decrease in LPG usage within the building (DCTL accounts for a portion of the overall building energy use).

For our other large emission sources, our use of flights has reduced since FY23 resulting in reduced emissions, and our use of electricity has stayed relatively consistent each year.

## Dunedin City Treasury Limited

### Next Steps

During the coming financial year the Company will continue its efforts to reduce carbon emissions and waste.

In line with the DCHL Carbon Roadmap, the Company has committed to reducing emissions and working with DCC and DCHL to identify and scope further opportunities to contribute to Dunedin's citywide emission reduction goals.

**Dunedin City Treasury Limited**

**Directors' declarations of interest**
**For the year ended 30 June 2026**

| Director | Responsibilities | Declarations of Interests |
|---|---|---|
| Tim Loan<br><br>03.10.22 - Present | Chair | Chair, Dunedin City Holdings Limited<br>Chair, Dunedin City Treasury Limited<br>Director, Dunedin Stadium Property Limited<br>Chair, Dunedin Railways Limited<br>Director & Shareholder, Abbot Insurance Brokers Southern Limited<br>Director, Finance Now Limited (including subsidiary companies: TW Financial Services Operations Limited, The Warehouse Financial Services Ltd and SBS Money Limited<br>Director and Shareholder, LWB Holdings Limited<br>Director, Presbyterian Support Southland Holding Company Limited<br>Director, Presbyterian Support Southland Retirement Villages Limited<br>Chair, H&J Smith Holdings Limited (including subsidiary companies: H&J Smith Limited, H&J Smith Parking Building Limited, Outdoor World Limited, Outdoor Adventures Limited (dormant), H&J's Hardware Limited (dormant), Southern Department Stores Limited (dormant), Shotover Hardware Limited, Symphony Retailing Limited, Cross Roads Properties Limited, H&J.'s Electrical Limited, H&J's Properties Limited, H&J Smith Corporate Limited, H&J Smith Finance Limited) |
| Susie Johnstone<br><br>1.03.21 - present | Non-Executive Director | Director, Dunedin City Holdings Limited<br>Director, Dunedin City Treasury Limited<br>Director, Dunedin Stadium Property Limited<br>Director, Dunedin Railways Limited<br>Director & Shareholder, Shand Thomson Chartered Accountants<br>Director, SDH GP Limited<br>Trustee, Dunedin Diocese Trust Board<br>Trustee, Clutha Community Foundation<br>Trustee of various client trusts through Shand Thomson & Abacus Nominee Companies |
| Chris Milne<br><br>01.07.23 - present | Non-Executive Director | Director, Dunedin City Holdings Limited<br>Director, Dunedin City Treasury Limited<br>Director, Dunedin Stadium Property Limited<br>Director, Dunedin Railways Limited<br>Director and Shareholder, Murray & Company Limited<br>Chair, CSO Foundation Trust<br>Director, Southern Eye Specialists Limited |
| Greg Anderson<br><br>01.07.23 - present | Non-Executive Director | Director, Dunedin City Holdings Limited<br>Director, Dunedin City Treasury Limited<br>Director, Dunedin Stadium Property Limited<br>Director, Dunedin Railways Limited<br>Director and Shareholder, Northington Partners Limited (including subsidiary companies Northington Agricapital Limited, NPL Investments Limited and NPL No.1 Holdco Limited)<br>Director and Shareholder, Cultivate Ventures GP Limited (including related entity NPL No. 2 LP Limited)<br>Director and Shareholder, NZ Drinks Holdings Limited (including subsidiary NZ Drinks Limited)<br>Director and Shareholder, Hedgebook Limited<br>Director and Shareholder, Stirling Sports Limited<br>Director and Shareholder, Reliable Foundations Holdings Limited (including subsidiary companies and related entities: Reliable Foundations NZ Limited, Reliable Foundations (South Island) Limited, RFL Earthworks NZ Limited, RFL Earthworks (South Island) Limited, Reliable Foundations GP Limited, NPL No.1 LP Limited)<br>Director and Shareholder, Agri Realty Limited<br>Director and Shareholder, Ra Tuatahi No. 1 Limited<br>Trustee, St Margaret's College Foundation |

**Dunedin City Treasury Limited**

**Directors' declarations of interest**
**For the year ended 30 June 2026**

| Director | Responsibilities | Declarations of Interests |
|---|---|---|
| Shane Ellison<br>01.07.25 - present | Non-Executive Director | Director, Dunedin City Holdings Limited<br>Director, Dunedin City Treasury Limited<br>Director, Dunedin Stadium Property Limited<br>Director, Dunedin Railways Limited<br>Director , Waipā Networks Limited and Waipā Networks Growth Limited<br>Infrastructure and Resources Director and Investment Manager for Te Ātiawa o Te Waka a Māui, Koau Capital Partners Limited<br>Member, Kāti Huirapa Rūnaka ki Puketeraki<br>Member, Te Rūnaka o Ōtākou<br>Iwi Member, Ngāti Mutunga, Te Ātiawa, and Ngāti Ruanui<br>Director and Shareholder, Tāwhirimātea Advisory (Ngā Kaitohutohu o Tāwhirimātea) Limited<br>Director, Aukaha (1997) Limited<br>Commercial Advisor to Ka Taki te Umere Limited |

**Dunedin City Treasury Limited**

## Statement of responsibility
## For the year ended 30 June 2026

The Board of Dunedin City Treasury Limited accept responsibility for the preparation of the annual financial statements and the judgements used in them;

The Board of Dunedin City Treasury Limited accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

In the opinion of the Board of Dunedin City Treasury Limited, the annual financial statements for the financial year ended 30 June 2026 fairly reflect the financial position and operations of Dunedin City Treasury Limited.

Chair
27 August 2026

Director
27 August 2026

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## Dunedin City Treasury Limited

### Trend statement

| Financial assets managed by the Company ($ millions) | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|---|
| Dunedin City Treasury Limited | 1,464 | 1,395 | 1,292 | 1,105 | 911 | 802 |
| Dunedin City Council Waipori Fund | 118 | 112 | 103 | 98 | 95 | 100 |
| Total financial assets managed | 1,582 | 1,507 | 1,395 | 1,203 | 1,006 | 902 |

## Dunedin City Treasury Limited

### Statement of comprehensive income
### For the year ended 30 June 2026

| | Note | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| Financial income | 1 | 58,110 | 59,923 |
| Gain on fair value hedge | | 31 | - |
| Gain on fair value of financial assets | | 1,571 | - |
| Total income | | 59,712 | 59,923 |
| | | | |
| Less expenses: | | | |
| Financial expenses | 2 | 58,199 | 59,686 |
| Operating expenses | 3 | 882 | 816 |
| Loss on fair value hedge | | - | 27 |
| Total expenditure | | 59,081 | 60,529 |
| | | | |
| Profit/(loss) before tax | | 631 | (606) |
| Income tax expense/(credit) | 4 | 198 | (119) |
| | | | |
| Net profit/(loss) after tax | | 433 | (487) |
| | | | |
| Other comprehensive income: | | | |
| Loss on cash flow hedges taken to equity | | (2,236) | (28,329) |
| Deferred taxation impact of net cash flow hedge losses | | 198 | 7,932 |
| Total other comprehensive income, net of tax | | (2,038) | (20,397) |
| | | | |
| Total comprehensive income for the year | | (1,605) | (20,884) |

The accompanying notes and accounting policies form an integral part of these financial statements.

## Dunedin City Treasury Limited

### Statement of changes in equity
### For the year ended 30 June 2026

| | Share Capital $'000 | Hedge Reserve $'000 | Retained Earnings $'000 | Total Equity $'000 |
|---|---|---|---|---|
| Equity as at 30 June 2025 | 100 | 507 | (138) | 469 |
| Total comprehensive income | - | (2,038) | 433 | (1,605) |
| Equity as at 30 June 2026 | 100 | (1,531) | 295 | (1,136) |
| | | | | |
| Equity as at 30 June 2024 | 100 | 20,904 | 349 | 21,353 |
| Total comprehensive income | - | (20,397) | (487) | (20,884) |
| Equity as at 30 June 2025 | 100 | 507 | (138) | 469 |

The accompanying notes and accounting policies form an integral part of these financial statements.

## Dunedin City Treasury Limited

### Statement of financial position
### As at 30 June 2026

| | Note | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 10 | 46,405 | 11,815 |
| Trade and other receivables | 11 | 10,871 | 10,901 |
| Prepayments | | 296 | 388 |
| Total current assets | | 57,572 | 23,104 |
| **Non-current assets** | | | |
| Related party advances | 5 | 1,464,482 | 1,395,272 |
| LGFA borrower notes | 5 | 28,821 | 14,750 |
| Derivative financial instruments | 7 | 12,446 | 14,696 |
| Total non-current assets | | 1,505,749 | 1,424,718 |
| **Total assets** | | 1,563,321 | 1,447,822 |
| **Current liabilities** | | | |
| Short term borrowings | 6 | 6,397 | 3,519 |
| Accruals | 12 | 10,574 | 10,859 |
| Derivative financial instruments | 7 | 726 | 151 |
| Total current liabilities | | 17,697 | 14,529 |
| **Non-current liabilities** | | | |
| Term borrowings | 6 | 1,530,326 | 1,413,502 |
| Derivative financial instruments | 7 | 16,434 | 19,323 |
| Total non-current liabilities | | 1,546,760 | 1,432,825 |
| **Total liabilities** | | 1,564,457 | 1,447,353 |
| **Equity** | | | |
| Share capital | 13 | 100 | 100 |
| Retained earnings and reserves | 14 | (1,236) | 369 |
| **Total equity** | | (1,136) | 469 |
| **Total liabilities and equity** | | 1,563,321 | 1,447,822 |

The accompanying notes and accounting policies form an integral part of these financial statements.

## Dunedin City Treasury Limited

### Statement of cash flows
### For the year ended 30 June 2026

| | Note | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| *Cash was provided from:* | | | |
| Receipts from customers | | 231 | 207 |
| Interest received | | 57,918 | 60,657 |
| | | 58,149 | 60,864 |
| *Cash was applied to:* | | | |
| Payments to suppliers | | 798 | 885 |
| Interest paid | | 58,484 | 63,505 |
| | | 59,282 | 64,390 |
| Net cash inflow/(outflow) from operating activities | 21 | (1,133) | (3,526) |
| **Cash flow from investing activities** | | | |
| *Cash was provided from:* | | | |
| Net investments realised | | - | - |
| | | - | - |
| *Cash was applied to:* | | | |
| Net purchase of investments | | 81,710 | 110,333 |
| | | 81,710 | 110,333 |
| Net cash inflow/(outflow) from investing activities | | (81,710) | (110,333) |
| **Cash flow from financing activities** | | | |
| *Cash was provided from:* | | | |
| Proceeds from borrowings | | 117,433 | 110,024 |
| | | 117,433 | 110,024 |
| *Cash was applied to:* | | | |
| Repayment of borrowings | | - | - |
| | | - | - |
| Net cash inflow/(outflow) from financing activities | 22 | 117,433 | 110,024 |
| **Net increase/(decrease) in cash** | | 34,590 | (3,835) |
| Opening cash and cash equivalents | | 11,815 | 15,650 |
| **Closing cash and cash equivalents** | 10 | 46,405 | 11,815 |

The accompanying notes and accounting policies form an integral part of these financial statements.

## Dunedin City Treasury Limited

### Notes to the financial statements
### For the year ended 30 June 2026

#### Reporting entity

The financial statements presented here are for the reporting entity Dunedin City Treasury Limited (the Company).

The Company is a Council Controlled Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is a subsidiary of Dunedin City Holdings Ltd which is wholly owned by Dunedin City Council.

The primary objective of the Company is to manage the funding of the Dunedin City Council and its Council Controlled Organisations.

The registered address of the Company is 50 The Octagon, Dunedin.

The financial statements of the Company are for the year ended 30 June 2026.

The Company is a profit-oriented entity.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993. These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates.

#### Statement of compliance

The Company is a Tier 1 for-profit entity as defined by the External Reporting Board and has reported in accordance with Tier 1 For-profit Accounting standards. These annual financial statements are general purpose financial reports which have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to for-profit orientated entities.

The financial statements were authorised for issue by the Directors on 31 August 2026**.**

#### Basis of accounting

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP, the entity is a for-profit entity.

The financial statements have been prepared on the historic cost basis, except for the revaluation of derivative financial instruments.

The cash flows arising from advances held to Dunedin City Council and other Dunedin City Holdings Limited Group entities are presented on a net basis, as either net investments realised or net purchase of investments in the cash flow statement.

#### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. Commitments and contingencies are disclosed exclusive of GST.

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

### Changes in accounting policy

The Company has reviewed the contractual terms of LGFA borrower notes, which have historically been classified as financial assets measured at amortised cost. The review has identified that there are contractual terms which could give rise to cash flows that are not solely payments of principal and interest. Accordingly, these financial assets have been reclassified and measured at fair value through profit and loss.

The impact of this change in accounting policy was assessed and determined to be immaterial to the prior year financial statements. Accordingly, no balances have been restated.

### Critical judgements and estimates in applying accounting policies

In the application of NZ IFRS the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. These are based on historical experience and other various factors and are reviewed on an on-going basis.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year include: the carrying value of the deferred tax liability (note 4), and the valuation of derivative financial instruments (note 7).

The Directors believe that, as at the date of these financial statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes. However, they do make estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results.

### Standards amended or issued during the year

The accounting policies set out in these financial statements are consistent for all periods presented.

### Standards issued but not yet effective

NZ IFRS 18 - Presentation and Disclosure in Financial Statements issued in May 2024, is effective for the annual reporting periods beginning on or after 1 January 2027, and entities can early adopt this account standard. NZ IFRS 18 sets out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income, and expenses. The Company is yet to assess NZ IFRS 18's full impact. The Company will first apply the standard to 30 June 2028 financial statements.

Other new accounting standards have been issued but are not yet compulsory have not been applied to this set of accounts. These standards are to be applied to future financial statements. The impact of the new standards has been assessed as minimal.

## Dunedin City Treasury Limited

### Notes to the financial statements
### For the year ended 30 June 2026

### 1. Financial income

Accounting policy
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Interest on advances to related parties | 57,590 | 58,107 |
| Fees from related parties | 225 | 216 |
| Interest on other investments | 295 | 1,600 |
| Total financial income | 58,110 | 59,923 |

### 2. Financial expenses

Accounting policy
All borrowing costs are recognised in the statement of comprehensive income using the effective interest rate method.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Interest and fees - related parties | 91 | 143 |
| Interest and fees - term loans | 58,108 | 59,543 |
| Total financial expenses | 58,199 | 59,686 |

### 3. Operating expenses

Accounting policy
Operating expenses are disclosed by nature below.
Operating expenses are recognised on an accrual basis in the period to which they relate.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Audit or review of the finanical statements | | |
| Audit or review of the financial statements | 58 | 56 |
| Audit or review of the financial statements - previous year | 7 | 31 |
| | 65 | 87 |
| Related party management fees | 454 | 360 |
| Other expenses | 363 | 369 |
| Total operating expenses | 882 | 816 |

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

### 4. Taxation

Accounting policy
Income tax expense includes components relating to both current and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net surplus as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

| Income tax | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Net profit / (loss) before tax | 631 | (606) |
| Tax thereon at 28% | 177 | (170) |
| *Plus / (less) the tax effect of differences* | | |
| Deferred tax asset not recognised | 21 | 51 |
| Under / (over) tax provision in prior years | - | - |
| Tax effect of differences | 21 | 51 |
| Tax expense/(credit) | 198 | (119) |
| The taxation charge is represented by: | | |
| Current tax | - | - |
| Prior period adjustment - current tax | - | - |
| Prior period adjustment - deferred tax | - | - |
| Deferred tax | 198 | (119) |
| Tax expense/(credit) | 198 | (119) |

Accounting policy
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

| Deferred tax liability | Derivatives $'000 | Tax losses $'000 | Total $'000 |
|---|---|---|---|
| Balance as at 30 June 2025 | 157 | (157) | - |
| Charge to profit/(loss) | 41 | 157 | 198 |
| Charge to other comprehensive income | (198) | - | (198) |
| Balance as at 30 June 2026 | - | - | - |

A deferred tax asset of $54,958 has not been recognised in respect of tax losses totalling $196,277 (2025 $51,264, tax losses of $183,086).

### 5. Related party advances and LGFA borrower notes

Accounting policy
Related party advances are recognised and derecognised on a trade date and are measured at cost. LGFA borrower notes are measured at fair value.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| *Current* | | |
| Advances to DCC | - | - |
| Total current | - | - |
| *Non-current* | | |
| Advances to DCC | 711,500 | 650,500 |
| Advances to DCHL Group | 752,982 | 744,772 |
| LGFA borrower notes | 28,821 | 14,750 |
| Total non-current | 1,493,303 | 1,410,022 |
| Total related party advances and LGFA borrower notes | 1,493,303 | 1,410,022 |

| Maturity analysis | 2026 $'000 | 2025 $'000 |
|---|---|---|
| The following is a maturity analysis of the Company's advances and borrower notes. | | |
| Maturity within one year | - | 500 |
| Effective interest rate | - | 4.61% |
| Maturity one to five years | 13,280 | 3,125 |
| Effective interest rate | 3.18% | 5.04% |
| Maturity over five years | 1,480,023 | 1,406,397 |
| Effective interest rate | 4.02% | 4.27% |
| Total related party advances and LGFA borrower notes | 1,493,303 | 1,410,022 |
| Effective interest rate | 4.02% | 4.28% |

The advances are evergreen and the carrying amounts approximate their fair value. There are no indications of impairment relating to any of the advances.

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

### 6. Financial Liabilities

### Borrowings

Accounting policy

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| *Current* | | |
| Related parties | 6,397 | 3,519 |
| Total current borrowing | 6,397 | 3,519 |
| *Non-current* | | |
| Promissory notes issued | 233,396 | 193,841 |
| Medium term notes issued | 1,296,930 | 1,219,661 |
| Total term borrowing | 1,530,326 | 1,413,502 |
| Total borrowings | 1,536,723 | 1,417,021 |

As at 30 June 2026, the Company had a $1,900 million multi option instrument issuance facility which is secured against certain assets and undertakings of the Dunedin City Council Group. Debt is raised by issuing medium term notes, floating rate notes or by the issue of promissory notes. In addition, the Company also borrows funds from the New Zealand Local Government Funding Agency.

Three independent banks have provided committed facilities to the amount of $240 million (2025: $240 million).

The amount of unamortised premium or (discount) on medium term notes on issue at 30 June 2026 is nil (2025: nil).

The tender of promissory notes under the multi-option facility generally raises debt for a term of three months before being re-tendered. In addition to this, the issue of floating rate notes under the multi-option facility also raises floating rate debt. This type of borrowing is executed at the floating rate at the date of borrowing drawdown or at the start of the floating rate reset and exposes the group to cash flow interest rate risk. Interest rate derivatives are taken out to manage that risk. Floating rate debt is also created by converting fixed rate bond issuance from fixed to floating using interest rate swaps. The credit risk from each derivative is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Borrower notes are subordinated convertible debt instruments that the Company subscribes for an amount equal to 5.0% (2025: 5.0%) of the total long-term borrowings from LGFA. LGFA will redeem borrower notes when the Company's related borrowings are repaid or no longer owed to LGFA. At 30 June 2026 the Company had subscribed to $27.25m of borrower notes. (2025: $14.75m).

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

### Term borrowings

| | Interest Rate | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| Promissory notes | | 233,396 | 193,841 |
| Medium term notes 17/07/2025 | Coupon rate 3.61% | - | 50,000 |
| Floating rate notes 15/10/2025 | 47.0bp over BKBM | - | 75,000 |
| Medium term notes 15/04/2026 | Coupon rate 3.98% | - | 65,000 |
| Medium term notes 15/03/2026 | Coupon rate 2.90% | - | 50,000 |
| Medium term notes 15/11/2026 | Coupon rate 2.09% | 55,000 | 55,000 |
| Medium term notes 16/11/2026 | Coupon rate 0.676% | 60,000 | 60,000 |
| Medium term notes 18/04/2028 | Coupon rate 1.93% | 110,000 | 110,000 |
| Medium term notes 15/11/2028 | Coupon rate 5.55% | 60,000 | 60,000 |
| Medium term notes 27/11/2028 | Coupon rate 3.22% | 100,000 | 100,000 |
| Floating rate notes 09/02/2030 | 65.0bp over BKBM | 75,000 | 75,000 |
| Floating rate notes 09/02/2030 | 78.1bp over BKBM | 25,000 | 25,000 |
| Floating rate notes 15/05/2031 | 75.8bp over BKBM | 25,000 | 25,000 |
| Floating rate notes 15/05/2031 | 92.0bp over BKBM | 100,000 | 100,000 |
| Floating rate notes 09/02/2030 | 82.1bp over BKBM | 25,000 | 25,000 |
| Floating rate notes 14/04/2033 | 99.0bp over BKBM | 20,000 | 20,000 |
| Floating rate notes 15/02/2027 | 56.0bp over BKBM | 50,000 | 50,000 |
| Floating rate notes 17/07/2025 | 32.0bp over BKBM | - | 20,000 |
| Floating rate notes 08/07/2027 | 41.0bp over BKBM | 50,000 | 50,000 |
| Floating rate notes 01/04/2032 | 96.0bp over BKBM | 85,000 | 85,000 |
| Floating rate notes 14/04/2033 | 105.0bp over BKBM | 30,000 | 30,000 |
| Floating rate notes 14/04/2033 | 103.4bp over BKBM | 35,000 | 35,000 |
| Medium term notes 10/10/2033 | Coupon rate 4.996% | 60,000 | 60,000 |
| Floating rate notes 15/10/2029 | 71.3bp over BKBM | 120,000 | - |
| Floating rate notes 01/04/2032 | 82.0bp over BKBM | 30,000 | - |
| Floating rate notes 17/07/2028 | 62.0bp over BKBM | 75,000 | - |
| Floating rate notes 14/04/2033 | 92.0bp over BKBM | 60,000 | - |
| Floating rate notes 15/05/2035 | 103.0bp over BKBM | 50,000 | - |
| Fair value impact on medium term notes | | (3,070) | (5,339) |
| | | 1,530,326 | 1,413,502 |

### Contractual maturity analysis of term borrowings

The following is a maturity analysis of the Company's term borrowings:

| | | |
|---|---|---|
| Less than one year | 398,369 | 453,718 |
| Effective interest rate | 2.37% | 3.57% |
| Later than one year but not more than five | 762,067 | 605,342 |
| Effective interest rate | 3.27% | 3.18% |
| Later than five years | 369,890 | 354,442 |
| Effective interest rate | 3.77% | 4.55% |
| | 1,530,326 | 1,413,502 |

While these are the contractual maturities of the Company's term borrowings, the Company expects and has the ability to refinance term borrowings under the multi option instrument issuance facility. As per the face of the accounts, the Company has therefore determined that all term borrowings are non-current as per the provisions of NZ IAS 1.

### Fair value of borrowings

Accounting policy

Debt instruments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

Directors estimate the fair value of the Company's borrowings at year end to be as follows:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Total borrowings | 1,529,418 | 1,407,836 |

### 7. Derivative financial instruments and hedge accounting

Accounting policy

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company uses interest rate swap contracts to hedge these exposures.

Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

The Company does not use derivative financial instruments for speculative purposes. However, any derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, would be accounted for as trading instruments with fair value gains/losses being taken directly to profit or loss.

Derivative financial instruments are recognised at fair value on the date the derivative is entered into and are subsequently re-measured to their fair value. The fair value on initial recognition is the transaction price. Subsequent fair values are based on independent prices quoted in active markets as provided to us from Thomson Reuters data.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The fair value of interest rate swaps is calculated based on pricing using Thomson Reuters data. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The gain or loss from re-measuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the profit or loss. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the profit or loss over the period to maturity.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity with any ineffective portion recognised immediately in profit or loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in other comprehensive income in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise. Derivatives not designated into an effective hedge relationship are classified as current assets or liabilities.

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the profit or loss.

| Derivative financial instruments | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Assets: | | |
| Interest rate swaps- cash flow hedges - Bank | 10,461 | 11,921 |
| Interest rate swaps- fair value hedges - Bank | 1,985 | 2,775 |
| | 12,446 | 14,696 |
| Liabilities: | | |
| Interest rate swaps- cash flow hedges - Bank | 11,989 | 11,214 |
| Interest rate swaps- fair value hedges - Bank | 5,170 | 8,260 |
| | 17,160 | 19,473 |

The ineffective portion recognised in the statement of comprehensive income that arises from fair value hedges amounts to a gain of $31 thousand (2025: loss of $27 thousand). This represents the current year net movement in the value of the fair value hedge swaps of $2.3 million (gain) and fair value hedge adjustment to debt of $2.3 million (loss).

### 8. Interest rate swaps

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| The notional principal outstanding with regard to the interest rate swaps is: | | |
| Counterparties outside the group: | | |
| Maturing in less than one year | 255,000 | 80,000 |
| Maturing in between one and five years | 980,000 | 800,000 |
| Maturing after five years | 745,000 | 665,000 |
| | 1,980,000 | 1,545,000 |

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

### 9. Categories of financial assets and liabilities

Accounting policy

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Under NZ IFRS 9, all the financial assets and liabilities are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income on the basis of the Company's business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

The Company enters into derivative financial instruments to manage its exposure to interest rate risks. There was no change of classification in relation to derivatives, these continue to be measured at fair value through profit or loss.

The Company's related party advances are measured at amortised cost in accordance with NZ IFRS 9 and LGFA borrower notes are measured at fair value through profit and loss, in accordance with NZ IFRS 9.

The Company's other financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables, accruals, short term borrowings, and term borrowings are measured at amortised cost as they meet the conditions under NZ IFRS 9.

Under NZ IFRS 9, the impairment model requires the recognition of impairment provisions based on expected credit losses. It applies to financial assets classified at amortised cost. For trade and other receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Based on the assessment undertaken, no transition adjustment was required.

The carrying amount of financial assets and liabilities in each of the NZ IFRS 9 categories is as follows:

| | 2026 | 2025 |
|---|---|---|
| Financial assets measured at amortised cost: | $'000 | $'000 |
| Cash and cash equivalents (note 10) | 46,405 | 11,815 |
| Trade and other receivables (note 11) | 10,871 | 10,901 |
| Related party advances (note 5) | 1,464,482 | 1,395,272 |
| Total financial assets measured at amortised cost | 1,521,758 | 1,417,988 |
| Financial assets at fair value through profit and loss: | | |
| Derivative financial instruments assets (note 7) | 12,446 | 14,696 |
| LGFA borrower notes (note 5) | 28,821 | 14,750 |
| | 41,267 | 29,446 |
| Financial liabilities measured at amortised cost: | | |
| Accruals (note 12) | 10,574 | 10,859 |
| Borrowings (note 6) | 1,536,723 | 1,417,021 |
| Total financial liabilities measured at amortised cost | 1,547,297 | 1,427,880 |
| Financial liabilities at fair value through profit and loss: | | |
| Derivative financial instrument liabilities (note 7) | 17,160 | 19,473 |

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

The carrying amount of investments approximates their fair value. There have been no indications of impairment of any investments during the year.

Related party advances are reported at amortised cost as at 30 June 2026 and 30 June 2025. The Company has reviewed the terms of its related party advances and concluded that, as at 30 June 2026, the advances are held to collect contractual cash flows, and those cash flows are solely payments of principal and interest, as defined by NZ IFRS 9 Financial Instruments.

At 30 June 2024, certain cash flows did not meet the definition of 'solely payments of principal and interest' under NZ IFRS 9, which required reporting at fair value. However, conistent with prior and subsequent periods the directors elected to report related party advances at amortised cost, as this approach provides greater clarity for users of the financial statements:

- Recognising unrealised gains or losses on fair value would give rise to significant volatility year on year.
- Such gains or losses would never be realised since all advances are held to collect and there are no foreseeable circumstances in which they would be sold.

In order to comply with the requirements of NZ IFRS 9, the Company should have reported related party advances at fair value at 30 June 2024. When the contractual terms were changed during the 2025 financial year, the existing financial assets measured at fair value should have been derecognised and new instruments recognised and classified as held at amortised cost. Fair value movements until the date of derecognition and a gain or loss on derecognition would have been recognised, which would have resulted in an unrealised net fair value gain of $41.5 million in profit and loss for the comparative year.

### Fair Value Hierarchy Disclosures

Accounting policy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

## Dunedin City Treasury Limited

### Notes to the financial statements
### For the year ended 30 June 2026

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

| | Carrying Value | Fair Value | Valuation Technique | | |
|---|---|---|---|---|---|
| | | | Quoted market price | Observable inputs | Non-observable inputs |
| | $000 | $000 | $000 | $000 | $000 |
| 30 June 2026 | | | | | |
| LGFA borrower notes | 28,821 | 28,821 | - | 28,821 | - |
| Derivative financial assets | 12,446 | 12,446 | - | 12,446 | - |
| Derivative financial liabilities | 17,160 | 17,160 | - | 17,160 | - |
| 30 June 2025 | | | | | |
| LGFA borrower notes | 14,750 | 14,750 | - | 14,750 | - |
| Derivative financial assets | 14,696 | 14,696 | - | 14,696 | - |
| Derivative financial liabilities | 19,473 | 19,473 | - | 19,473 | - |

### 10. Cash and cash equivalents

Accounting policy
Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Cash at bank | 46,405 | 11,815 |
| | 46,405 | 11,815 |

The carrying amount of these assets approximates their fair value.
The average effective interest rate for cash at bank is 2.54% (2025: 4.37%).

## Dunedin City Treasury Limited

## Notes to the financial statements
## For the year ended 30 June 2026

### 11. Trade and other receivables

Accounting policy
Trade and other receivables are financial instruments that are measured at amortised cost using the effective interest method.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Interest due from related parties - DCHL Group | 3,624 | 3,340 |
| Interest and fees due from related parties - DCC | 6,941 | 6,027 |
| Other current receivables | 306 | 1,534 |
| | 10,871 | 10,901 |

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. There are no indicators of impairment.

No accounts receivable at balance date are past due.

### 12. Accruals

Accounting policy
Accruals are stated at cost.

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Due to related parties | 38 | 44 |
| Accruals | 10,536 | 10,815 |
| | 10,574 | 10,859 |

The Directors consider that the carrying amount of accruals approximates their fair value.

### 13. Equity - share capital

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Issued capital - 100,000 ordinary shares | 100 | 100 |

On incorporation, Dunedin City Treasury Limited issued 100,000 ordinary shares in favour of the Dunedin City Holdings Limited.

All shares have a par value of $1.

## Dunedin City Treasury Limited

## Notes to the financial statements
## For the year ended 30 June 2026

### 14. Retained earnings and reserves

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Retained earnings at the beginning of the year | (138) | 349 |
| Net profit/(loss) after tax for the year | 433 | (487) |
| Balance at the end of the year | 295 | (138) |
| | | |
| Hedge reserve at the beginning of the year | 507 | 20,904 |
| Gain/(loss) of cash flow hedges taken to equity | (2,236) | (28,329) |
| Deferred taxation impact of net cash flow hedge gains | 198 | 7,932 |
| Balance at the end of the year | (1,531) | 507 |
| | | |
| Total retained earnings and reserves | (1,236) | 369 |

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments that have not yet occurred.

### 15. Financial instrument risks

Accounting policy
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

In the normal course of business the Company is exposed to a variety of financial risks. The Company is risk averse and seeks to minimise exposure from its treasury activities. Dunedin City Council has established a Treasury Risk Management Policy covering both investment and borrowing policies, that the Company is required to comply with. This policy does not allow any transactions to be entered into that are speculative in nature.

| Risk | Exposure arising from | Monitoring | Management |
|---|---|---|---|
| Market/interest rate risk | Interest bearing liabilities at floating rates | Cash flow forecasting | Interest rate derivatives to achieve specific fixed rate maturity profile |
| Credit risk | Loss that could accrue from the non-settlement of financial transactions | Regular external credit limit reviews | Individual and maximum counterparty credit limits. Specific limit calculations for individual financial instruments recognising potential changes in fair value of the instrument |
| Liquidity risk | Unforeseen events that may curtail cash flows | Cash flow forecasting | Regular cash flow forecasting Ensuring sufficient size of underwriting facilities |
| | | Management reporting on maturity profile | No more than $450 million to mature in any single year. Spreading of underwriting facilities, floating rate and fixed rate note issues |

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

| Risk | Exposure arising from | Monitoring | Management |
|---|---|---|---|
| Liquidity risk (cont'd) | | Management reporting on percentage of funding beyond specific term | A target of at least 20% of debt must mature greater than five years |

### Market Risk

The interest rates on the Company's related party advances & LGFA borrower notes are disclosed in note 5 and on the Company's borrowings in note 6.

*Fair value interest rate risk*
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to its borrowings and short-term bank deposits, at fixed interest rates and derivatives at fixed interest rates.

*Cash flow interest rate risk*
Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cash flow interest rate risk. The Company manages the interest rate risk by using derivatives to convert floating interest to fixed interest.

### Interest Rate Risk

*Nature of the risk*
Interest rate risk is the risk that fluctuations in interest rates impact the Company's financial performance or the fair value of its holding of financial instruments.

*Risk Management*
The Company has exposure to interest rate risk. The Company maintains the Fixed Rate Maturity Profile outlined in the Dunedin City Council Treasury Risk Management Policy.

*Exposure*
Under the Dunedin City Council Treasury Risk Management Policy, the Company utilises a portfolio approach to manage interest rate risk for the group. Other group companies and the Council are precluded from entering into financial transactions with external counterparties, except City Forests (foreign exchange and carbon credits within their approved polices).

## Dunedin City Treasury Limited

## Notes to the financial statements
## For the year ended 30 June 2026

*Sensitivity Analysis*
As at 30 June 2026, if interest rates moved by plus or minus 1% across the yield curve the impact on profit and loss would be nil and the movement in equity would also be nil. This is because the impact of any interest rate movements from third parties is reflected in the interest rates charges to members of the Dunedin City Council Group.

### Credit Risk

*Nature of the risk*
Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss.

*Risk management*
The Company has processes in place to review the credit quality of borrowers prior to the granting of credit. The Company also has processes in place to review the credit quality of counterparty banks to ensure the Company only has exposure to counterparty banks which have an appropriate credit rating.

*Exposure*
The Company's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents (note 10), related party advances & LGFA borrower notes (note 5) and trade receivables (note 11). The credit risk on liquid funds and derivative financial instruments is limited because counterparties are banks with strong credit ratings assigned by international credit rating agencies.

Exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions undertaken is spread among the approved counterparties.

Contracts have been entered into with various counterparties that have approved and satisfactory credit ratings, and in accordance with dollar limits set in the Dunedin City Council Treasury Risk Management Policy.

Industry and product concentrations are determined by the activities within the Dunedin City Council Group.

There is no security held over cash equivalents, trade receivables and related party loans.

### Maximum exposure to credit risk

The Company's maximum credit risk exposure for each class of financial instrument is as follows:

| | 2026<br>$'000 | 2025<br>$'000 |
|---|---|---|
| Cash and cash equivalents | 46,405 | 11,815 |
| Trade and other receivables | 10,871 | 10,901 |
| Related party loans and LGFA borrower notes | 1,493,303 | 1,410,022 |
| Derivative financial assets | 12,446 | 14,696 |
| Total credit risk | 1,563,025 | 1,447,434 |

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings.

| Current year 30 June 2026 | AAA $'000 | AA+ $'000 | AA $'000 | AA- $'000 | No rating $'000 |
|---|---|---|---|---|---|
| *Counterparties with credit ratings* | | | | | |
| Cash and cash equivalents AA- | | | | 46,405 | |
| Trade & other receivables – related parties AA- | | | | 6,941 | |
| Trade & other receivables AA- | | | | 306 | |
| LGFA borrower notes | 28,821 | | | | |
| Derivative financial instruments – related parties AA- | | | | - | |
| Derivative financial instruments AA- | | | | 12,446 | |
| Loans to related parties AA- | | | | 711,500 | |
| *Counterparties without credit ratings* | | | | | |
| Trade and other receivables - related parties | | | | | 3,624 |
| Loans to related parties | | | | | 752,982 |
| Derivative financial instruments - related parties | | | | | - |
| Last year 30 June 2025 | | | | | |
| *Counterparties with credit ratings* | | | | | |
| Cash and cash equivalents AA- | | | | 11,815 | |
| Trade & other receivables – related parties AA- | | | | 6,027 | |
| Trade & other receivables AA- | | | | 1,534 | |
| LGFA borrower notes | 14,750 | | | | |
| Derivative financial instruments – related parties AA- | | | | - | |
| Derivative financial instruments AA- | | | | 14,696 | |
| Loans to related parties AA- | | | | 650,500 | |
| *Counterparties without credit ratings* | | | | | |
| Trade and other receivables - related parties | | | | | 3,340 |
| Loans to related parties | | | | | 744,772 |
| Derivative financial instruments - related parties | | | | | - |

There have been no defaults during the year from counterparties without credit rating (2025: nil).

### Liquidity risk

*Nature of the risk*
Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due.

*Risk Management*
Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available. The Company has committed bank lines available that can be drawn of $240 million (2025: $240 million).

## Dunedin City Treasury Limited

### Notes to the financial statements
### For the year ended 30 June 2026

*Exposure*
The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and includes interest receipts.

Where the amount payable is not fixed, the amount disclosed in the analysis below is determined by reference to the conditions existing at balance date. The swap settlement rate as at 30 June 2026 was 2.72% (2025: 3.29%).

#### Contractual maturity analysis of financial assets

| 2026 year | Carrying amount $000's | Contractual cash flows $000's | Less than 1 year $000's | 1 to 2 years $000's | 2 to 5 years $000's | More than 5 years $000's | No maturity $000's |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 46,405 | 46,405 | 46,405 | - | - | - | - |
| Trade and other receivables | 10,871 | 10,871 | 10,871 | - | - | - | - |
| Derivative financial assets | 12,446 | (12,174) | 304 | (1,668) | (8,181) | (2,628) | - |
| Related party advances and LGFA borrower notes | 1,493,303 | 1,493,303 | - | - | 13,280 | 15,541 | 1,464,482 |
| Total | 1,563,025 | 1,538,405 | 57,580 | (1,668) | 5,099 | 12,913 | 1,464,482 |
| 2025 year | | | | | | | |
| Cash and cash equivalents | 11,815 | 11,815 | 11,815 | - | - | - | - |
| Trade and other receivables | 10,901 | 10,901 | 10,901 | - | - | - | - |
| Derivative financial assets | 14,696 | (8,973) | (290) | (548) | (5,723) | (2,412) | - |
| Related party advances and LGFA borrower notes | 1,410,022 | 1,410,022 | 500 | - | 3,125 | 11,125 | 1,395,272 |
| Total | 1,447,434 | 1,423,765 | 22,926 | (548) | (2,598) | 8,713 | 1,395,272 |

#### Contractual maturity analysis of financial liabilities

| 2026 year | Carrying amount $000's | Contractual cash flows $000's | Less than 1 year $000's | 1 to 2 years $000's | 2 to 5 years $000's | More than 5 years $000's | No maturity $000's |
|---|---|---|---|---|---|---|---|
| Accruals | 10,574 | 10,574 | 10,574 | - | - | - | - |
| Derivative financial liabilities | 17,160 | 5,121 | 6,365 | 2,877 | 723 | (4,844) | - |
| Borrowings | 1,536,723 | 1,734,379 | 449,902 | 201,270 | 684,258 | 398,949 | - |
| Total | 1,564,457 | 1,750,074 | 466,841 | 204,147 | 684,982 | 394,105 | - |
| 2025 year | | | | | | | |
| Accruals | 10,859 | 10,859 | 10,859 | - | - | - | - |
| Derivative financial liabilities | 19,473 | 11,940 | 6,016 | 4,889 | 3,603 | (2,568) | - |
| Borrowings | 1,417,021 | 1,605,711 | 500,254 | 198,888 | 518,792 | 387,777 | - |
| Total | 1,447,353 | 1,628,510 | 517,129 | 203,777 | 522,395 | 385,209 | - |

The maturity profiles of the Company's interest bearing related party advances and LGFA borrower notes and borrowings are disclosed in notes 5 and 6 respectively.

**Dunedin City Treasury Limited**

## Notes to the financial statements
## For the year ended 30 June 2026

### Currency market risk

The Company has no currency market risk. The Company does not invest or borrow in foreign currencies.

### Capital management

The Company's capital is its equity, which comprises issued capital and retained surpluses. Equity is represented by net assets.

The Company's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

### 16. Imputation credit account

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Imputation credits available for use in subsequent periods | 103 | 103 |

### 17. Contingent liabilities

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Performance bonds | 636 | 636 |

The performance bonds issued are in favour of South Island Local Authorities, including the Dunedin City Council, for contract work by Delta Utility Services Limited. There is no indication that any of the above contingent liabilities will crystallise in the foreseeable future.

### 18. Contingent assets

The Company has no contingent assets (2025: nil).

### 19. Commitments

The Company has no capital expenditure commitments (2025: nil).

The Company has no non-cancellable operating leases (2025: nil).

The level of committed facilities undrawn at 30 June 2026 amounts to $240 million (2025: $240 million).

### 20. Related party transactions

Dunedin City Treasury Ltd is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

Dunedin City Treasury Limited undertakes transactions with Dunedin City Holdings Limited Group and Dunedin City Council. The Company provided services to the Group in respect of the following transactions:

## Dunedin City Treasury Limited

### Notes to the financial statements
### For the year ended 30 June 2026

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Sales of services to the Group: | | |
| Interest income - DCC | 27,339 | 27,137 |
| Interest income - DCHL | 1,050 | 946 |
| Interest income - Aurora Energy Ltd | 23,335 | 23,775 |
| Interest income - City Forests Ltd | 2,093 | 2,114 |
| Interest income - Delta Utility Services Ltd | 316 | 391 |
| Interest income - Dunedin Stadium Property Ltd | 3,458 | 3,744 |
| Financial services - DCC | 225 | 216 |
| | 57,814 | 58,324 |
| Purchases of services from the Group: | | |
| Interest - DRL | 4 | 3 |
| Interest - DVML | 75 | 110 |
| Interest - DCHL | 1 | 1 |
| Interest - Aurora Energy Ltd | 11 | 17 |
| Interest - City Forests Ltd | 19 | 27 |
| Interest - Delta Utility Services Ltd | 5 | 8 |
| Interest - Dunedin Stadium Property Ltd | 2 | 2 |
| Interest - Dunedin Heritage Fund | 36 | 62 |
| Administration and office services - DCHL | 454 | 360 |
| | 606 | 590 |
| Advances provided to the Group: | | |
| Opening balance | 1,395,272 | 1,292,439 |
| Plus additional advances | 461,445 | 345,346 |
| Less repayments | (392,235) | (242,513) |
| Balance at end of year (see entity breakdown below) | 1,464,482 | 1,395,272 |
| Deposits held on behalf of DVML: | | |
| Opening balance | 2,200 | 2,400 |
| Plus additional advances | 8,350 | 3,950 |
| Less repayments | (6,150) | (4,150) |
| Balance at end of year | 4,400 | 2,200 |
| Deposits held on behalf of DRL: | | |
| Opening balance | - | - |
| Plus additional advances | 1,800 | 500 |
| Less repayments | (900) | (500) |
| Balance at end of year | 900 | - |
| Deposits held on behalf of Heritage Fund: | | |
| Opening balance | 1,319 | 1,436 |
| Plus additional advances | 724 | 741 |
| Less repayments | (946) | (859) |
| Balance at end of year | 1,097 | 1,319 |

## Dunedin City Treasury Limited

### Notes to the financial statements
### For the year ended 30 June 2026

At year end, the following amounts were receivable from related parties in the Group:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Dunedin City Council | 718,441 | 656,527 |
| Dunedin City Holdings Limited | 28,896 | 22,495 |
| Aurora Energy Limited | 590,353 | 575,350 |
| Delta Utility Services Limited | 5,649 | 10,790 |
| City Forests Limited | 48,610 | 54,093 |
| Dunedin Stadium Property Limited | 83,078 | 85,363 |

At year end, the following amounts were payable to related parties in the Group:

| | | |
|---|---|---|
| Dunedin Venues Management Limited | 4,415 | 2,220 |
| Dunedin Heritage Fund | 1,098 | 1,321 |
| Dunedin Railways Limited | 902 | - |
| Dunedin City Holdings Limited | 0 | 1 |
| Aurora Energy Limited | 5 | 5 |
| Delta Utility Services Limited | 3 | 4 |
| City Forests Limited | 10 | 11 |
| Dunedin Stadium Property Limited | 1 | 1 |

*Compensation of key management personnel*
A management agreement is in place between the Dunedin City Council and Dunedin City Holdings Limited to provide management resources to Dunedin City Treasury Limited.

Governance is provided by the Directors of Dunedin City Treasury Limited. As the Directors are also the Directors of Dunedin City Holdings Limited, there are no directors' fees for Dunedin City Treasury Limited.

### 21. Reconciliation of net profit for the year to cash flows from operating activities

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Net profit for the year after tax | 433 | (487) |
| *Items not involving cash flows* | | |
| Fair value change | (1,602) | 27 |
| Deferred tax | 198 | (119) |
| | (971) | (579) |
| *Impact of changes in working capital items* | | |
| (Increase)/decrease in receivables | 30 | 939 |
| (Increase)/decrease in prepayments | 92 | (68) |
| Increase/(decrease) in accruals | (284) | (3,818) |
| Increase/(decrease) in provisions | - | - |
| Net cash inflow/(outflow) from operating activities | (1,133) | (3,526) |

## Dunedin City Treasury Limited

### Notes to the financial statements
### For the year ended 30 June 2026

### 22. Reconciliation of liabilities from financing activities

| 2026 year | 2025 $000's | Cash flows $000's | Non-cash changes: Foreign exchange movement $000's | Non-cash changes: Fair value changes $000's | 2026 $000's |
|---|---|---|---|---|---|
| Long term borrowings | 1,413,502 | 114,555 | - | 2,269 | 1,530,326 |
| Short term borrowings | 3,519 | 2,878 | - | - | 6,397 |
| Derivative financial instruments | 19,323 | - | - | (2,889) | 16,434 |
| Short term derivative financial instruments | 151 | - | - | 575 | 726 |
| Assets held to hedge Long term borrowings | (14,696) | - | - | 2,250 | (12,446) |
| Total liabilites from financing activities | 1,421,799 | 117,433 | - | 2,205 | 1,541,437 |

| 2025 year | 2024 $000's | Cash flows $000's | Non-cash changes: Foreign exchange movement $000's | Non-cash changes: Fair value changes $000's | 2025 $000's |
|---|---|---|---|---|---|
| Long term borrowings | 1,288,354 | 110,340 | - | 14,808 | 1,413,502 |
| Short term borrowings | 3,836 | (317) | - | - | 3,519 |
| Derivative financial instruments | 21,596 | - | - | (2,274) | 19,323 |
| Short term derivative financial instruments | 42 | - | - | 109 | 151 |
| Assets held to hedge Long term borrowings | (30,409) | - | - | 15,713 | (14,696) |
| Total liabilites from financing activities | 1,283,419 | 110,024 | - | 28,356 | 1,421,799 |

### 23. Events after balance date

There have been no significant events since balance date.

**Dunedin City Treasury Limited**

## Statement of service performance
## For the year ended 30 June 2026

The Company's primary activity is to provide treasury management services and funds management to entities within the Dunedin City Council Group.

| | Objective | Performance targets | Performance targets achieved |
|---|---|---|---|
| 1 | Manage the liquidity risk of the DCC Group and use a variety of funding sources to achieve appropriate levels of funds as required by the DCC Group. | Zero breaches of DCC Treasury Risk Management Policy's borrowing maturity profile. | There were no breaches of DCC Treasury Risk Management Policy's borrowing maturity profile. |
| 2 | Utilise a portfolio approach to minimise funding costs and manage interest rate risk in accordance with the DCC Treasury Risk Management Policy. | Zero breaches of DCC Treasury Risk Management Policy's interest rate risk policy. | There were no breaches of DCC Treasury Risk Management Policy's interest rate risk policy. |
| 3 | Securely invest surplus cash available from within the DCC Group, ensuring funds deposited outside the DCC Group are compliant with the DCC Treasury Risk Management Policy. | Zero breaches of DCC Treasury Risk Management Policy's investment management policy. | There were no breaches of DCC Treasury Risk Management Policy's investment management policy. |
| 4 | Manage the issuance of securities as and when required. | Successfully fill any issues brought to the market during the year. | Filled all issues brought to the market during the period. |
| 5 | Maintain financial relationships with preferred financial providers. | Meet at least annually with preferred financial providers. | Have met with preferred financial providers at least annually. |
| 6 | Maintain a benchmarking system to measure DCTL's performance. | Regular reporting to the Board, of DCTL's achievement against defined benchmarks. | Reporting achievements against defined benchmarks are provided to the Board monthly and quarterly. |
| 7 | Manage the 'Waipori Fund' fully in accordance with policy and objectives set by Council to achieve the investment objectives. | Management of the fund and meeting the investment objectives set by Council in the Statement of Investment Policy and Objectives. | The fund did meet the investment objective to grow the fund's base value. |
| 8 | Maintain a risk management framework to regularly identify, mitigate, and report risks. | Quarterly review by the Board, of the DCHL Risk Register Dashboard. | The DCTL Risk Register Dashboard was reviewed by the Board quarterly. |
| | | Regular reporting to the shareholder of DCTL's top 5 current risks. | DCTL's top 5 current risks were reported to the shareholder quarterly. |
| 9 | Comply with the DCC Treasury Risk Management Policy. | No breaches of policy.<br>Where breaches have occurred, there are no breaches that have not been reported to the Chief Financial Officer within 1 business day and as per requirements of the policy. | There were no breaches of policy that were required to be reported to the shareholder. |
| 10 | Consult with the shareholder in a timely manner on DCTL strategic or operational matters which could compromise the Council's community outcomes. | No such matters that were not escalated to the shareholder in a timely manner. | There were no matters requiring escalation to the shareholder. |

**Dunedin City Treasury Limited**

| | | | |
|---|---|---|---|
| 11 | Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage. | No such matters that were not reported to the shareholder within 24 hours. | There were no matters of substance to report to the shareholder. |
| 12 | Reduce emissions and contribute to Dunedin's citywide goal to be net zero carbon by 2030. | Refine and continue to implement DCTL's carbon emissions and waste reduction strategies. | DCTL continues to implement its strategy and reports this in its Annual Report. |
| | | Measure and publicly report our Greenhouse Gas (GHG) emissions in our Annual Report. | The company reported this in its Annual Report. |
| 13 | Maintain a credit rating equal to that of the Dunedin City Council where the rating agency used applies the same credit rating to both entities. | Credit rating equal to that of Dunedin City Council. | Maintained a credit rating equal to that of Dunedin City Council. |

| Financial forecasts | $'000 | Achievement | $'000 |
|---|---|---|---|
| EBITDA | 4 | EBITDA | 631 |
| Net profit/(loss) after tax | 3 | Net profit/(loss) after tax | 433 |
| Cash flow from operations | (601) | Cash flow from operations | (1,133) |
| Capital expenditure | - | Capital expenditure | - |
| Term loans | 1,585,010 | Term loans | 1,530,326 |
| Shareholders Funds* | (2,847) | Shareholders Funds* | (1,136) |
| Shareholder's funds to total assets | 0.0% | Shareholder's funds to total assets | -0.07% |
| Dividend/Subvention Distribution | Nil | Dividend/Subvention Distribution | Nil |

The financial forecasts in the Statement of Intent were affected by a fluctuating interest rate environment, with significant falls in short-term interest rates with the Official Cash Rate reducing from 3.25% to 2.25% as at 30 June 2026. In addition, longer term swap yields increased modestly. The increase in longer term swap yields resulted in a gain in the hedge reserve relative to FY25. Additionally, the Group's borrowing requirements were lower than initially projected, which led to term loans coming in less than budget.

* Shareholder's funds largely consist of the hedge reserve which moves in line with the mark to market of the company's cash flow hedging arrangements. Movements are extremely difficult to forecast; therefore, no hedge reserve movements have been budgeted for above.

## Dunedin City Treasury Limited

### Directory

#### Directors

Timothy Loan (3 October 2022 - present)
Susie Johnstone (1 March 2021 - present)
Greg Anderson (1 July 2023 - present)
Chris Milne (1 July 2023 - present)
Shane Ellison (1 July 2025 - present)

#### Registered Office

50 The Octagon
Dunedin 9016

#### Bankers

Westpac Banking Corporation

#### Solicitors

Anderson Lloyd

#### Taxation advisers

Deloitte

#### Auditor

The Audit Office on behalf of the Controller and Auditor-General

The Audit Office
Te Mana Arotake

**Independent Auditor's Report**

**To the readers of Dunedin City Treasury Limited's financial statements and performance information for the year ended 30 June 2026**

The Auditor-General is the auditor of Dunedin City Treasury Limited (the Company). The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of The Audit Office, to carry out the audit of the financial statements and performance information on his behalf.

We have audited:

- the financial statements of the Company that comprise the statement of financial position as at 30 June 2026, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include material accounting policy information and other explanatory information on pages 12 to 37; and
- the performance information that consists of the statement of service performance for the year ended 30 June 2026 on pages 38 to 39.

## Opinion

***Qualified opinion on the financial statements***

In our opinion, except for the effects of the matter described in the *Basis for our opinion* section of our report, the financial statements of the Company present fairly, in all material respects, its financial position as at 30 June 2026, and its financial performance and cash flows for the year then ended, in accordance with New Zealand equivalents to International Financial Reporting Standards.

***Unmodified opinion on the statement of service performance***

In our opinion, the performance information accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures adopted for the year ended 30 June 2026, and has been prepared, in material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

## Basis for our opinion

***Financial statements: fair value movements on advances in the prior year not recognised***

In the year ended 30 June 2024, the Company concluded that its related party advances did not meet the requirements in NZ IFRS 9, *Financial Instruments* to be measured at amortised cost. These assets should therefore have been measured at fair value through profit or loss as at 30 June 2024 but the Company measured these at amortised cost.

Following modifications to contractual lending agreements during the year ended 30 June 2025, the related party advances outstanding at 30 June 2025 met the criteria for measurement at amortised cost. However, as the Company did not measure its related party advances at fair value up to the date of the contract modifications, in accordance with the requirements of NZ IFRS 9, it did not recognise fair value movements (including reversals) within profit or loss for the year ended 30 June 2025 in relation to those advances. As a consequence, we concluded that the reported net loss after tax of $487,000 for the year ended 30 June 2025, presented as comparative information, was not materially correct and our opinion for the period ended 30 June 2025 was qualified in relation to this.

Accordingly, our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of the Board of Directors for the financial statements and performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and comply with New Zealand equivalents to International Financial Reporting Standards. The Board of Directors is also responsible for preparing the performance information contained in the statement of service performance of the Company in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going

concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

### Responsibilities of the auditor for the audit of the financial statements and performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We evaluate the overall presentation, structure and content of the performance information, including the disclosures, and assess whether the performance information achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives in its statement of intent.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and performance information consisting of the statement of performance, and our auditor's report thereon.

Our opinion on the financial statements and performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for our opinion section above, we have concluded that the reported comparative net loss after tax of $487,000 is not materially correct. Accordingly, the other information that includes comparative financial information about the Company may be materially misstated with respect to these matters.

## Independence

We are independent of the Company in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Company.

Rudie Tomlinson
The Audit Office
On behalf of the Auditor-General
Dunedin, New Zealand
25 August 2026

Aurora ENERGY

auroraenergy.co.nz

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## About this report

This report reviews Aurora Energy's financial and operational performance for the year ended 30 June 2026. The financial statements have been prepared in accordance with appropriate accounting standards and independently audited. Care has been taken to ensure all information is accurate and timely.



# NAU MAI, WELCOME

**We are pleased to present Aurora Energy's Annual Report for the year ended 30 June 2026, a year in which we continued to strengthen our network, explore new energy solutions and prepare for the changing needs of the communities we serve.**

Last year, we outlined our commitment to preparing for a new energy future by investing in the technologies, capabilities and partnerships needed to support growing electrification and changing consumer expectations. That focus has continued throughout the year, as the pace of change across New Zealand's energy sector has accelerated and new opportunities have emerged to rethink how electricity networks are planned, operated and used.

As consumers increasingly adopt technologies such as rooftop solar, battery storage and electric vehicles, Aurora Energy is continuing to evolve from a traditional network operator to an enabler of a more flexible, resilient and consumer-focused energy system.

Alongside ongoing investment in critical network infrastructure, we are exploring innovative approaches that help deliver value for consumers while supporting long-term growth across our networks in Dunedin, Central Otago/Wānaka and Queenstown Lakes.

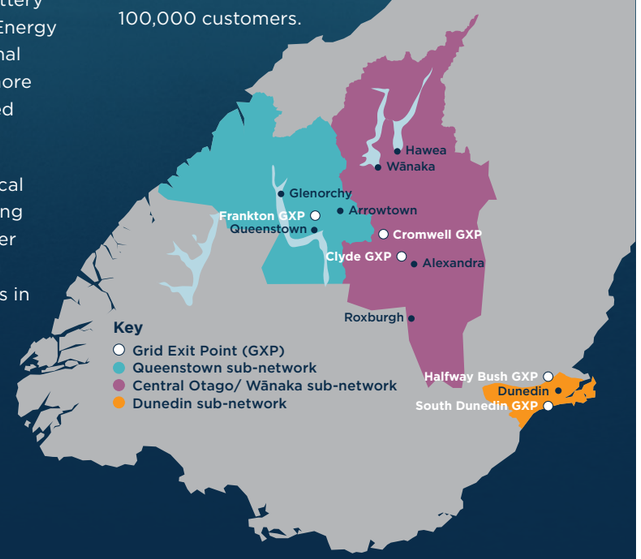
The progress outlined in this report demonstrates how we are putting our strategic priorities into action.

From strengthening our network and advancing innovative flexibility initiatives, to deepening collaboration across the sector, we remain focused on ensuring our communities benefit from an adaptable, affordable and sustainable electricity future.

As the energy landscape continues to evolve, Aurora Energy is well positioned to help shape the next chapter of that journey.

## Who we are

Aurora Energy owns and manages the network that delivers electricity to some of the fastest growing areas and over the most diverse terrain in Te Waipounamu, the South Island. We take the power from Transpower's national grid to power homes, businesses and the wider community, and deliver a safe, reliable and sustainable electricity supply across Ōtākou in Ōtepoti Dunedin, Central Otago & Wānaka and Tāhuna Queenstown to close to 100,000 customers.



# OUR YEAR IN REVIEW

# Chair & Chief Executive's report

Chair Steve Thompson

Chief Executive Richard Fletcher

**DELIVERING TODAY, AND SHAPING THE NETWORK OUR COMMUNITIES WILL NEED TOMORROW**

The energy sector is changing fast; and for a network like ours that change is not abstract. It is showing up in our communities right now: in the pace of growth across Queenstown Lakes and the Upper Clutha, in the solar panels and batteries appearing on homes and businesses, and in the expectations consumers rightly have of a modern, affordable and resilient electricity service.

Our purpose has not changed: to deliver electricity safely and dependably to and from homes, farms and businesses across Dunedin, Central Otago/Wānaka and Queenstown Lakes, at the lowest sustainable cost. What is changing is how we do that, and the role we play as the system becomes more distributed, more dynamic and more digital.

This was a year of delivery and positioning. We completed a defining five-year investment programme, broke new ground in flexibility and non-network solutions, and made deliberate choices about the kind of business Aurora Energy needs to be for the decade ahead. While we are only one part of a larger system, we are clear that we can lead, and we intend to.

## POWERING OUR REGIONS TO 2050

Our network underpins the energy choices consumers will make, a large part of what they pay for power, and New Zealand's path to net zero by 2050.

Meeting that target will require much greater use of electricity. As homes, transport and businesses electrify, the network is what carries the transition. That is why we plan to a 2050 horizon, so that capacity is never what holds our communities back.

As our regions grow and the way people use electricity changes, we are taking a long-term view of the capacity and resilience our communities will need. Two major programmes carry that work and ensure our network is ready for the decades ahead.

The first, **Powering Southern Lakes 2050**, sets out how we plan to keep electricity capacity ahead of demand across the fast-growing Queenstown-Lakes, Wānaka and Upper Clutha, Cromwell and Central Otago networks. The 2050 date is our line of sight, not our start line; the investment is staged through the 2020s and 2030s, and much of it is already underway. Rather than treating each project in isolation, we are planning to secure the future capacity of the Southern Lakes region as one connected system and choosing the right mix of transmission, distribution and non-network solutions that will meet demand and resilience at the lowest long-term cost. We will continue to coordinate closely with Transpower, the national grid owner and operator, while leading this critical programme of work.

Our parallel programme, **Powering Dunedin 2050** will focus on reinforcing and developing the Dunedin network to support the city's economic growth and its ambition to be a centre for technology and innovation. Powering Dunedin 2050 will deliver the capacity, resilience and reliability that a growing, smarter city depends on.

Together, these programmes will form Aurora Energy's plan for a 2050-ready network across the region we serve on behalf of our shareholder and communities. They reflect a simple commitment: wherever our communities are heading as the result of either rapid growth in the Southern Lakes region or Dunedin's next chapter as, for example, an innovation hub, the Aurora Energy network will be ready to power their energy futures.

## GETTING THE MIX RIGHT, AND GETTING PRICING RIGHT

Upgrading a network used to mean, almost always, building more lines. Today we have a broader toolkit. Alongside traditional infrastructure, we can use battery storage and demand-side flexibility to defer or avoid network upgrades where that is the more efficient investment choice. This is a genuine and welcome shift in how lines companies plan, and we are pursuing it deliberately.

We are equally clear that innovation complements network investment, it does not replace it. The national grid and the distribution network remain essential. The real skill lies in the judgement of choosing, project by project, the combination of transmission, distribution and non-network options that delivers a reliable service at the lowest sustainable cost.

Getting pricing right matters just as much as getting the assets right. As more consumers adopt solar, batteries and electric vehicles, we believe cost-reflective pricing should reward those who reduce network costs. At the same time, our pricing has to be fair to everyone, including consumers who cannot, or choose not to, invest in these technologies. Ensuring the benefits of new technology are shared equitably, while keeping electricity affordable, is one of the defining issues for our sector. Getting it right will take genuine collaboration between industry, regulators and government, and Aurora Energy intends to be a constructive voice in that work.

## FLEXIBILITY AND COMMUNITY ENERGY IN ACTION

We put these ideas into practice this year. Having gone to the market for flexibility services to help manage demand peaks, we received 40 responses to our open call.

We have since contracted with Octopus Energy to reward battery owners for energy fed back into parts of our network at times of peak demand. Intelligent battery controls help balance the local grid when it is under the most pressure, and the partnership with Octopus is teaching us a great deal about how flexibility can be scaled.

We are also designing energy into communities from the outset. With a local developer, we are exploring a blueprint for a 2,800-lot subdivision at Homestead Bay near Queenstown, testing how community energy resources can be built into a masterplan from day one. This is an approach that could become a template for growing communities nationwide. That work sits alongside a pilot in Glenorchy, where we think modular, network-owned batteries could be scaled as local demand grows and relocated as priorities shift, improving resilience for an end-of-line community while feeding flexibility back to the wider network. Together, these sorts of initiatives are building our understanding of how community-scale and network-scale storage can be deployed across the region.

## PREPARING FOR A MORE DYNAMIC ROLE, AND FOR AI

The role of a distribution network is changing. For most of our history, we have built and maintained the poles, wires and substations that carry electricity one way, from the grid to the consumer. We need to be ready to orchestrate a two-way, dynamic system in which consumers, solar, batteries and flexibility all play an active part. Enhanced access to smart meter data is already giving us a far clearer picture of how electricity is generated, stored and used across our network, and better information is leading to better investment decisions.

Artificial intelligence and machine learning will accelerate this shift. Used well, they will sharpen how we forecast demand, plan and operate the network, manage our assets, serve consumers, and, through automation and streamlined decision making, lift productivity across the business. We are determined to be ahead of this curve rather than behind it. That means understanding where these technologies are being applied best, both here and internationally, and building on that in a way that is practical and safe for an essential service. We see a leadership role for Aurora Energy in helping our sector think this through, and we are encouraging that conversation among our peers.

Technology is only part of the story. The skills our people need are changing as quickly as the network itself, and the contest for talent across the sector will only intensify. Planning our future workforce, developing our existing team and attracting new capability is a strategic priority, not an afterthought. The Aurora Energy of the next decade will need engineers, data specialists and operators who are as comfortable with a distributed, digital system as our people today are with the physical network. Building that capability now is one of the most important investments we can make.

## PUTTING CONSUMERS AT THE CENTRE

Through all of this, consumers remain at the centre of our decisions. Whether it is a text reminder ahead of a planned outage, providing automated and online connection services, keeping our lines charges as affordable as we can, or using the feedback of those connected to our network to shape our planning, we are focused on continually improving what we offer. The test of our strategy is a simple one: does it deliver real, lasting value to the people and businesses who depend on us? That is the question we hold ourselves to.





## HIGHLIGHTS FOR THE YEAR UNDER REVIEW

- Completed our five-year, $560 million customised price-quality path (CPP) – the largest programme of renewal and reinforcement in the company's history – delivering the safety, reliability and resilience improvements we committed to across Dunedin, Central Otago/Wānaka and Queenstown Lakes.
- Maintained a strong safety performance, with no serious harm events involving members of the public and a Total Recordable Injury Frequency Rate of zero for Aurora Energy employees. A higher than target Contractor TRIFR remains an area of focus for the Board and management.
- Met our planned interruption quality targets and came in under limit on frequency of unplanned interruptions. Unplanned outage duration was above target but driven largely by storm events in Dunedin and Queenstown during October 2025.
- Delivered Asset Management improvements in terms of the CPP Development plan and published a 10-year Asset Management Plan Update for 2026–36, lifting the quality of the data and analysis behind every investment decision we make. Our final Annual Delivery Report for the CPP period was completed and independently assured.
- Consulted openly with consumers, holding public engagement forums in each pricing region and recording further year-on-year improvement via our annual consumer survey across key measures of consumer awareness and overall performance and trust in the company. We also invested $103,103 in community initiatives, including sponsoring both Electrify Queenstown 2026 and Electrify Dunedin.
- Brought our long-term capacity and electricity-security planning for Queenstown, Cromwell and the Upper Clutha/Wānaka together under a single, Aurora Energy-led regional development programme, to be known as Powering Southern Lakes 2050 – keeping supply capacity ahead of demand in some of the country's fastest-growing areas.
- Opened a new office in Queenstown to support local growth and the district's drive towards a carbon-free visitor economy. The office will be the hub for our Powering Southern Lakes 2050 programme.
- Led initiatives to increase supply capacity into the Upper Clutha/Wānaka area to meet growing demand from population growth and rising electrification.
- Decided, after a detailed assessment, not to operationally integrate with Alpine Energy. Both organisations concluded the model would not deliver sufficiently compelling long-term consumer benefits to justify the cost, complexity and risk involved. The work gave us valuable insights into future operating models, systems, capability and scale in the electricity distribution sector.
- Received regulatory support from the Commerce Commission in the form of newly approved DPP4 revenue allowances, which gave us the certainty to continue our forward investment programme as planned.
- Continued to deliver ongoing network investment, including new substations and lines, connections for new developments, and support for businesses electrifying their operations.

**Revenue and earnings:** total revenue of $202.8 million (2025: $177.3 million) and net profit after tax of $35.4 million (2025: $24.3 million). Net profit after tax and EBITDA of $106.2 million both exceeded Statement of Intent targets for the year.

**Investment and cash generation:** $91.1 million reinvested in the network, funded from operating cash flows of $79.5 million (2025: $60.7 million). No dividend was paid, so every dollar earned was retained and put back into the network our communities rely on.

**Financial strength:** total assets grew to $1.02 billion and shareholder's funds to $286.0 million, delivering a return on average equity of 13.2% (2025: 10.2%). Closing term debt of $587.9 million held below Statement of Intent target of $616.6 million.

## COMPLETING A DEFINING INVESTMENT PROGRAMME

Underpinning the year was the completion of our five-year, $560 million customised price-quality path: a programme of essential maintenance and upgrades across Dunedin, Central Otago/Wānaka and Queenstown Lakes that has fundamentally strengthened the safety, reliability and resilience of our network. Delivering a programme of that scale, over some of the most diverse and challenging terrain in the country, took real dedication from our team and our field delivery partners. It is a milestone the whole organisation can be proud of, and it leaves us well placed for what comes next.

Our thanks go to our staff, our consumers, our stakeholders and our industry partners for their support through the year.

Stephen Thompson
Chair

Richard Fletcher
Chief Executive

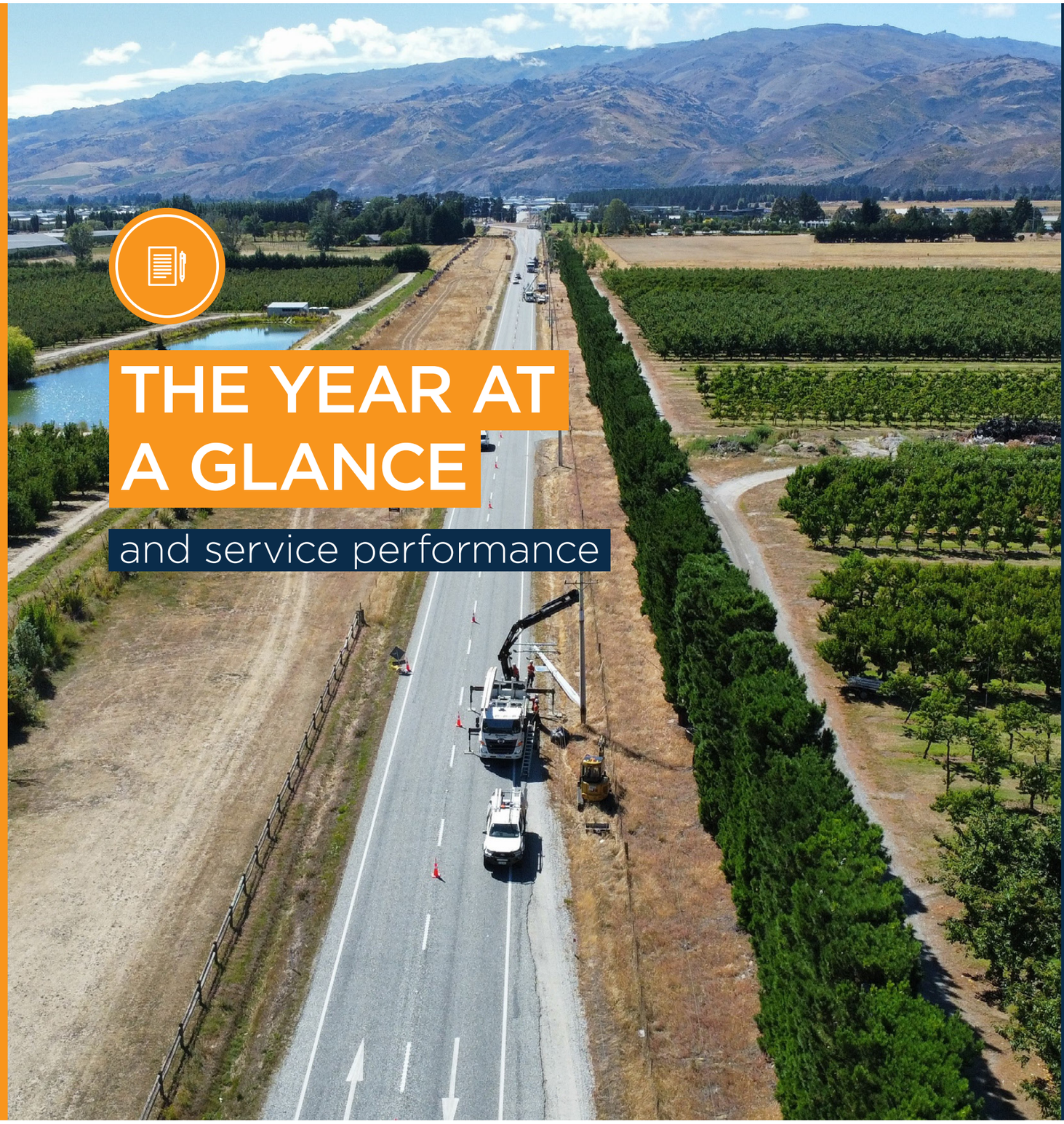
## A SPECIAL MENTION FROM THE BOARD AND THE AURORA ENERGY TEAM

This report also marks a significant change in our governance. After a decade as Chair, Steve Thompson will step down on 30 September 2026. Over the last ten years, he has been instrumental in one of the most substantial turnarounds in the New Zealand electricity sector, guiding Aurora Energy from a business under intense public scrutiny to one with a credible national voice, widely respected as a leader in electricity distribution.

Steve has said many times, in boardrooms and in public, that the turnaround is a credit to the whole Aurora Energy team. He has agreed to a transition period to support the incoming Chair, the Board and the executive.

The new Chair, Janice Fredric, will inherit a confident, well-positioned business at a genuinely exciting moment, with a clear strategy taking shape and the right people to deliver it. It will be one of the most interesting leadership roles in New Zealand infrastructure.

The Board, management and staff want to acknowledge and thank Steve for his consistent and principled leadership, and for what he has built under his prudent governance. It is something to be very proud of.



# THE YEAR AT A GLANCE

## and service performance



**NET PROFIT 2026**

# $35.4M

While financial statements continue to reflect an improving net profit trend, elevated investment requirements mean the company remains in a negative free cash flow position.

All profits were reinvested into the network and long-term borrowings increased by $14.8 million during the year.

**CAPITAL EXPENDITURE 2026**

# $91.1M

Capital projects undertaken during 2026 include upgrades to the Queenstown and Green Island zone substations, together with a 33kV cable replacement between Kaikorai Valley and Halfway Bush. Work on the next stage of a significant upgrade to the Waipori Line also commenced.

# THE AURORA ENERGY TEAM

## BOARD OF DIRECTORS

**STEPHEN (STEVE) THOMPSON**
**Non-Executive Chair**

Steve joined the Aurora Energy Board in June 2016 and was appointed Chair in December 2016. He has been the director of a number of companies involved in the energy, construction, investment, manufacturing and professional services sectors. Steve will step down from his role at the end of September and we thank him for his leadership and the strong foundation built under his guidance.

**WENDIE HARVEY**
**Non-Executive Director**

Wendie joined the Aurora Energy Board in November 2018. She is a professional director with interests in strategy development, organisation change, infrastructure management and the promotion of health and safety in the workplace.

**SIMON CLARKE**
**Non-Executive Director**

Simon joined the Aurora Energy Board in July 2021. He is a professional director with governance roles across professional services and the public and utilities sectors. He also provides strategic advisory services through his business.

**JANICE FREDRIC**
**Non-Executive Director**

Janice joined the Aurora Energy Board in July 2022. She is a professional director with over 25 years governance experience across commercial, public, and not-for-profit sectors. She will succeed Steve as the Aurora Energy Chair, effective from 1 October 2026.

**STEPHEN LEWIS**
**Non-Executive Director**

Stephen joined the Aurora Energy Board in July 2021. With previous governance roles in both commercial and not-for-profit sectors, he is a company director and business consultant with experience in the electricity supply industry in NZ, the UK, US, Australia and South America.

**KEN SUTHERLAND**
**Non-Executive Director**

Ken Sutherland joined the Aurora Energy Board in July 2025. He is a professional director and an electricity sector advisor with over 20 years of governance experience across New Zealand's energy and infrastructure sectors.

## EXECUTIVE LEADERSHIP TEAM

### RICHARD FLETCHER
**Chief Executive**

Richard (PhD, BEnvSc) joined Aurora Energy as Chief Executive in January 2018 and leads the delivery of the company's strategic direction.

Richard has led a team that, with regulatory approval, rebuilt both the network and its own capability and delivered a major programme of investment to secure safer and more reliable outcomes for consumers. As CEO he remains focused on enabling growth and electrification across Ōtepoti Dunedin, Central Otago and Queenstown-Lakes, supporting new technologies and a more resilient, sustainable energy system for Aurora's consumers.

Before joining Aurora, Richard was General Manager Regulation and Corporate Affairs at Powerco, a senior manager at Transpower, and Head of Economic Regulation at Welsh Water. He has advised on energy and water regulation, asset management and investment planning internationally.

### CANDICE MAREE
**General Manager** - *People, Culture and Safety*

Candice leads Aurora Energy's people, culture and safety functions, architecting the organisational capability required for Aurora's growth and electrification strategy. She joined in late 2021 and has built talent and safety strategies aligned to Aurora's transformation from network investment and digital modernisation to attracting the specialist talent Aurora needs to support the energy transition.

Her focus is attracting and developing specialist talent, embedding data-informed workforce planning, and evolving safety culture as Aurora's network transforms. She is actively shaping Aurora as a destination employer, strengthening Aurora's employee value proposition so our people see genuine career pathways in the energy sector.

### TRACEY SAUNDERS
**General Manager** - *Digital Transformation*

Tracey leads Aurora Energy's digital transformation teams and work plans. Her teams are modernising the systems, data and processes that support asset management, improve efficiency and help deliver the intelligent, future-ready network our customers and communities need.

### GARY DIXON
**Chief Financial Officer**
**& General Manager** - *Finance, Risk Assurance and Commercial*

Gary leads Aurora Energy's finance, regulatory and risk assurance functions. As CFO, he helps ensure strong governance, financial integrity and compliance across the business. His teams help provide the insights, assurance and commercial disciplines needed to support effective decision-making and the long-term stewardship of Aurora's network assets.

### MARK PRATT
**General Manager** - *Customer and Commercial Services*

Mark leads Aurora Energy's customer, community, engineering and commercial services teams. He is focused on supporting customers through the energy transition, enabling electrification, connecting growth, and helping communities embrace new energy technologies to build a more resilient and sustainable energy future.

### RICHARD STARKEY
**General Manager** - *Service Delivery*

Richard leads the programming, procurement and delivery of work across our network. His teams work with our contracting partners to deliver the investment needed to maintain and improve the network, support growth across our regions and provide capacity for increasing electrification and decarbonisation.

### MATT SETTLE
**General Manager** - *Future Network and Operations*

Matt leads the operation, planning and development of our network. His teams are managing and renewing our network assets as well as preparing for future growth and changing energy needs, which means managing distributed energy resources such as solar, batteries and electric vehicles, as part of a more intelligent and flexible network.

STAFF ANCHOR DAY

## OUR PEOPLE

Our people are the foundation of Aurora Energy's ability to deliver a modern, intelligent network. As the energy sector transforms, our workforce is building the skills, capability and expertise needed to lead that change.

We are committed to being an employer of choice. That means investing deliberately in leadership development, structured career pathways, workforce planning and continuous learning, so our people can grow their capability alongside the pace of change in our industry. Our people play a critical role here, strengthening strategic alignment and driving the engagement and collaboration needed to deliver our transformation agenda.

We believe the best outcomes come from diverse perspectives, experience and ways of thinking. Our team includes people from 21 countries, which strengthens our culture and builds the breadth of capability our network needs going forward. Our gender diversity is shown on the right.



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**NUMBER OF AURORA ENERGY EMPLOYEES**

**AURORA ENERGY EMPLOYEES BY GENDER**

**BOARD GENDER DIVERSITY**

**EXECUTIVE LEADERSHIP TEAM GENDER DIVERSITY**

**SENIOR MANAGEMENT GENDER DIVERSITY**

KEY | ♂ MALE ♀ FEMALE

STAFF ANCHOR DAY

# SAFETY IN ACTION

Safety is the number one priority at Aurora Energy. We were pleased to report in this year's Annual Delivery Report a 24% reduction in safety related incidents for RY26 when compared with the prior year.

## LEARNING & IMPROVEMENT

Staff and contractors are encouraged to report incidents, near misses and hazards so we can identify risks early and learn from them. Any lessons learned and corrective actions are shared through:

- Safety alerts
- Site interactions and field observations
- Contractor meetings
- Health and safety forums
- Risk assessment activities

## ADDRESSING THIRD-PARTY RISK

The largest sources of safety incidents are third-party contacts with our network, vehicle strikes, cable damage, and contact with overhead lines. Recognising that electricity safety is an industry-wide responsibility, we've partnered with major contractors and industry bodies to drive a broader shift in how the sector approaches safety. This year we launched 'Safe is a 4 metre word', a targeted safety campaign aimed at tradies and contractors working near electricity infrastructure across Otago. The campaign is built on a simple principle: four metres is the distance that keeps people safe.

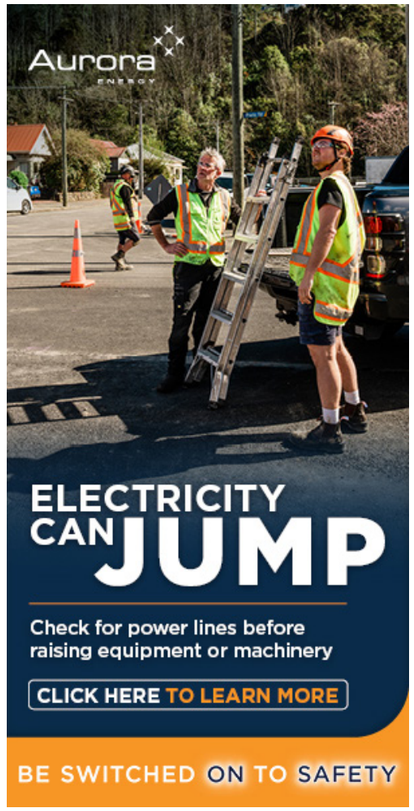
## CONTRACTOR PARTNERSHIP

Contractor safety management is strengthened through our Trust and Verify approach. We trust contractors to do the right thing and verify through rigorous processes, investigation and learning.

Root cause analysis drives improvements in maintenance practices, engineering standards and risk management processes.

## BOARD & MANAGEMENT

Regular safety observations by Board and management keep health and safety visible and central to how we operate. Our active Health and Safety Committee, represented by staff, ensures safety is embedded across the organisation.



# SUSTAINABILITY

The Aurora Energy network will continue to play a key role in decarbonisation through the electrification of transport and industry and the further enablement of distributed energy resources to support economic growth.

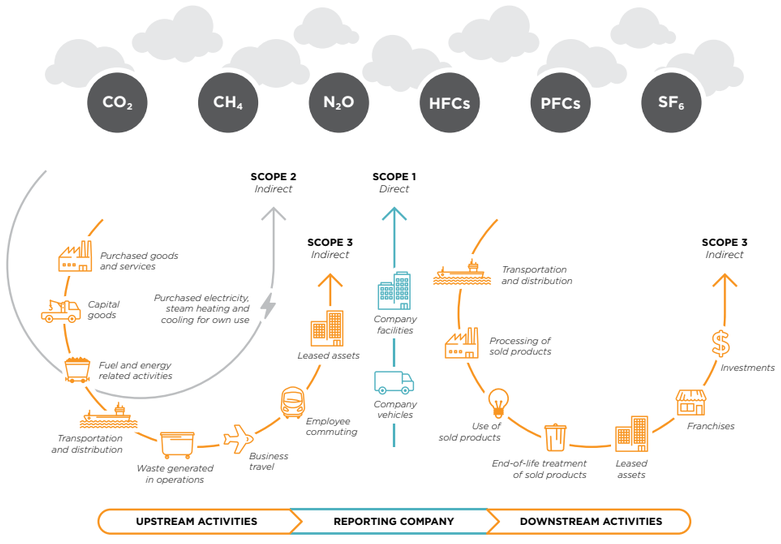
Alongside these critical enabling contributions, we are also focused on reducing our own controllable greenhouse gas (GHG) emissions, minimising waste and working with the wider DCC/DCHL group to support Dunedin's citywide goal to reduce emissions.[1]

## GHG EMISSIONS

This year's GHG emissions reporting again builds on the original baseline work in FY21 and incorporates methodological and reporting enhancements made in subsequent years. These changes increase the accuracy of the reported emissions. Where material methodology updates have been applied, these are disclosed in the accompanying notes.

As in previous years, we have calculated our Scope 1 emissions from sources owned or controlled by Aurora Energy, along with indirect emissions from Scopes 2 and 3.

| | |
|---|---|
| Scope 1 | Direct emissions from sources owned or controlled by us (including vehicle fuel, SF6 leakage from network equipment and diesel fuelled generators) |
| Scope 2 | Indirect emissions from the generation of purchased energy (including purchased electricity and emissions associated with electricity lines losses) |
| Scope 3 | Staff travel for work, freight transport, staff working from home, waste, activities contractors undertake for us, embodied carbon, employee commuting and any other indirect sources we may identify |




1 In July 2026, based on updated emissions modelling showing the Dunedin citywide 2030 net zero target was highly unlikely to be achieved, the Dunedin City Council resolved to adopt a new target, with a short-term gross emissions reduction target (emissions before carbon dioxide absorbed by trees is considered), and a longer-term net zero target. Council will decide on the specifics of a new city-wide emissions target later in 2026.





## OUR RESULTS EXPLAINED

Emissions are reported as tonnes (t) of Carbon Dioxide (CO2) equivalent (e); or tCO2-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

## GHG EMISSIONS BY SCOPE

Aurora Energy's total estimated GHG emissions for FY26 were 8,416 tCO2-e, compared with 10,527 tCO2-e reported for the previous year. FY26 Scope 1 emissions from sources owned or controlled by Aurora Energy were 260 tCO2-e, or around 3% of total estimated GHG emissions.

**Table 1: Emissions by scope (yearly comparison)**

| Emissions | tCO2-e FY 2026 | % of Total | FY 2025 | FY 2024 | FY 2023 | FY 2022 | FY 2021 (base year) |
|---|---|---|---|---|---|---|---|
| Scope 1 | 260 | 3% | 252 | 236 | 383 | 383 | 245 |
| Scope 2 | 5,850 | 70% | 7,867 | 4,725 | 5,589 | 9,443 | 11,976 |
| Scope 1 & 2 (excl line losses) | 348 | 4% | 342 | 287 | 446 | 488 | 358 |
| Scope 3 | 2,306 | 27% | 2,408 | 2,478 | 2,592 | 211 | 152 |
| **Total** | **8,416** | **100%** | **10,527** | **7,439** | **8,564** | **10,037** | **12,373** |

Note: To track emissions consistently over time, a recalculation of both base year and intervening year emissions can be required to ensure a GHG inventory continues to compare 'like with like' emission volumes. For this reason, retrospective electricity emissions factors published by the Ministry for the Environment (MfE) in May 2026 have been applied to Scope 2 transmission and distribution (T&D) line loss emissions for all reporting years from the FY21 baseline through to FY25. As a result, the historical Scope 2 figures and total emission results presented in this table differ from those published in previous years. Comparisons between reporting years should therefore be based on the recalculated historical figures presented in this report, rather than those published in previous annual reports.

### GHG Emissions by Activity

A detailed breakdown of Aurora Energy's emission sources is outlined in Table 2.

**Table 2: Aurora Energy's top emissions by activity (yearly comparison)**

| Emission Source | tCO2-e FY 2026 | tCO2-e FY 2025 | tCO2-e FY 2024 | tCO2-e FY 2023 | tCO2-e FY 2022 | FY 2021 (base year) |
|---|---|---|---|---|---|---|
| **Scope 1** | | | | | | |
| Generators | 65 | 58 | 40 | 182 | 182 | 23 |
| Company Vehicles | 84 | 101 | 112 | 128 | 137 | 165 |
| Fugitive Emissions - SF6 | 110 | 93 | 83 | 73 | 64 | 57 |
| **Sub-total** | **259** | **252** | **235** | **383** | **383** | **245** |
| **Scope 2** | | | | | | |
| Electricity Line Losses | 5,762 | 7,778 | 4,674 | 5,526 | 9,337 | 11,863 |
| Purchased Electricity | 88 | 90 | 51 | 63 | 105 | 113 |
| **Sub-total** | **5,850** | **7,868** | **4,725** | **5,589** | **9,442** | **11,976** |
| **Scope 3** | | | | | | |
| Third Party Contractors | 2,044 | 2,146 | 2,178 | 2,279 | Not measured | Not measured |
| Employee Commuting | 109 | 111 | 110 | 115 | 93 | Not measured |
| Flights | 76 | 89 | 121 | 115 | 35 | 79 |
| Upstream Transportation (Freight) | 38 | 16 | 40 | 46 | 55 | 52 |
| Waste to Landfill | 12 | 21 | 8 | 15 | 3 | 4 |
| Rental Cars | 2 | 2 | 2 | 1 | 1 | 1 |
| Accommodation | 12 | 10 | 11 | 9 | 5 | 6 |
| Transmission & Distribution Losses (Consumption) | 7 | 7 | 4 | 7 | 10 | 10 |
| Working From Home | 5 | 7 | 5 | 5 | 9 | Not measured |
| **Sub-total** | **2,305** | **2,409** | **2,479** | **2,592** | **211** | **152** |
| **Total** | **8,414** | **10,529** | **7,439** | **8,564** | **10,036** | **12,373** |

Note: The historical Scope 2 electricity line loss figures in this table have been recalculated using the retrospective electricity emissions factors published by MfE in May 2026. See the note to Table 1 for further information. Scope 3 emissions reported for FY21 and FY22 are not directly comparable with those reported from FY23 onwards, as Scope 3 emissions were only partially measured in the earlier reporting periods. From FY23, additional Scope 3 emission categories were included, providing a more complete representation of Aurora Energy's emissions across its value chain.

## GHG EMISSIONS AND WASTE REDUCTION STRATEGIES

After establishing baseline GHG emissions in FY21, in FY22 we then developed emissions and waste reduction strategies targeting a range of potential opportunities. More recently, we have continued to refine our GHG emissions and waste reduction strategies to ensure we are prioritising the areas we can directly influence or control, and the areas that will make the most difference to future performance.

Our carbon and waste reduction strategies are currently focused on the following primary work streams.

| Workstream: | Targeting reduction in: | Progress: |
|---|---|---|
| 1. Conversion of existing fleet to Hybrid or EV to lower GHG emissions. | GHG emissions | All non-utility/towing vehicles replaced in FY26 were swapped to Hybrid - 1 in all.<br>Aurora Energy's motor vehicle policy reflects emissions reduction as a key procurement driver. |
| 2. Investigations to identify alternatives to the use of Genset diesel generators for back-up electricity supply. | GHG emissions | Aurora Energy is assessing whether battery energy storage systems (BESS) could supplement diesel generators in its mobile fleet, reducing generator use and associated emissions. The assessment will determine whether current battery technology is suitable and feasible for use across the network. Aurora will continue to assess alternative fuel options and new technologies as they become available or more prevalent. |
| 3. Initiatives to improve efficiency and reduce energy consumption in offices and substation buildings. | GHG emissions | The feasibility of solar options is being investigated for Aurora Energy's new office under construction in Cromwell. |
| 4. Reduction of waste disposal via contractors performing work on our network. | Solid waste to landfill | We continue to work with third-party contractors to support Aurora Energy's waste reduction objectives and strengthen emissions and waste reporting practices. |





This year's FY26 Scope 1 & 2 emissions excluding electricity line losses were 3% lower than the 2021 baseline, mostly due to lower company vehicle fleet emissions.

During FY26, we progressed our fleet transition strategy to replace internal combustion engine (ICE) vehicles with either a hybrid or EV upon lease renewal. During the year, a new hybrid vehicle was introduced to the fleet, replacing an ICE vehicle based in Cromwell. To support this transition, an EV charger was installed at our Cromwell office, enabling more efficient charging and helping to maximise utilisation of the EV fleet. The installation of additional EV chargers is also being considered as part of the development of Aurora Energy's new Cromwell office.

These initiatives contribute to reducing fleet-related emissions while supporting the practical adoption of lower-emission vehicle technologies across our operations.

We continued to strengthen waste data collection and reporting, progressing pilot reporting with our largest provider for Aurora-specific waste streams. We also confirmed that key field service providers have appropriate waste disposal and recycling arrangements in place, including used transformer oil recycling, and reinforced these requirements with contractors through a reminder notice.

# OUR SERVICE PERFORMANCE

# Trend statement

**FOR THE YEAR ENDED 30 JUNE 2026**

| YEARS ENDED 30 JUNE | NOTE | | 2026 | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|---|---|
| Energy received into network | 1 | GWh | 1,490 | 1,468 | 1,491 | 1,445 | 1,384 |
| Energy received for delivery to consumers | 1 | GWh | 1,417 | 1,389 | 1,436 | 1,368 | 1,305 |
| **Total revenue** | | $000 | **202,753** | **177,322** | **166,656** | **142,787** | **126,680** |
| **Net profit before tax** | | $000 | **48,620** | **33,856** | **35,935** | **16,112** | **10,965** |
| Tax expense | 2 | $000 | 13,256 | 9,551 | 11,953 | 4,351 | 2,523 |
| **Net profit for the year** | 2 | $000 | **35,364** | **24,305** | **23,982** | **11,761** | **8,442** |
| Cashflow from operating activities | | $000 | 79,506 | 60,654 | 67,124 | 44,455 | 36,800 |
| Dividends paid | | $000 | - | - | - | - | - |
| Shareholder's equity | 2 | $000 | **286,009** | **250,645** | **226,340** | **202,358** | **190,597** |
| Total assets | | $000 | **1,018,605** | **954,793** | **886,559** | **805,341** | **730,576** |
| Capital expenditure (Property, plant and equipment) | | $000 | **91,129** | **96,311** | **107,608** | **99,294** | **82,990** |
| Return on average equity | 2 | | 13.2% | 10.2% | 11.2% | 6.0% | 4.5% |
| Equity to total assets | 2 | | 28.1% | 26.3% | 25.5% | 25.1% | 26.1% |

1 Energy received statistics for regulated years ended 31 March are reported under the Network Performance Summary on page 41.
2 Comparative year figures from 2022 to 2024 have been restated to reflect the impact of a prior period tax expense adjustment.





# Statement of service performance

**FOR THE YEAR ENDED 30 JUNE 2026**

## OUR PEOPLE

| OBJECTIVES | PERFORMANCE MEASURES | DESCRIPTION |
|---|---|---|
| Zero serious harm events involving members of the public | Number of serious injury events (excluding third party contacts with the network) involving members of the public<br>Target: Nil | There were no serious harm events involving members of the public |
| Reduce harm to employees and contractors | Board and Leadership site visits and safety observations<br>Target: 100 | There were 156 Board and Leadership site visits and safety observations |
| Develop opportunities across the business that support the overall wellness of our team | A Board-approved Health, Safety and Wellbeing Strategy is in place. The Strategy is reviewed and updated annually | The Health, Safety and Wellbeing strategy is implemented. Progress is regularly reviewed by the board |
| Aurora Energy Risk Register is regularly reviewed & updated, and the risk profile is managed in accordance with Board approved risk tolerance levels | Risk Management Framework embedded as evidenced by:<br>• Risk registers reviewed regularly and up to date<br>• Risk treatment plans reviewed regularly and up to date<br>• Regular reporting to Board and Audit & Risk Committee | Risk registers and treatment plans are reviewed regularly and are up to date. There is regular reporting to the Board and Audit & Risk Committee |
| To create a motivated and satisfied team and to understand and action opportunities for improvement within our team environment | Average of >75% staff satisfaction result on employee surveys completed during the year | In our staff survey, 77% of respondents said they were proud to work at Aurora Energy |
| People and culture strategies will be documented to promote our support of equity, inclusion, and diversity | A People and Culture Strategy, and a Diversity, Equity and Engagement Strategy is in place | Guiding principles are captured by the Inclusion and Diversity Policy prepared by management team |
| All employees are paid the living wage or above | All direct employees are paid at the living wage or above | As at 30 June 2026, 100% of the Company's employees were paid at or above the Living Wage (as calculated by the Living Wage Aotearoa New Zealand) |

# Statement of service performance (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## FUTURE NETWORK

| OBJECTIVES | PERFORMANCE MEASURES | DESCRIPTION |
|---|---|---|
| Implement process and capability improvements identified in CPP Asset Management Practices Development Plan (AMPDP) | Asset management development initiatives delivered in accordance with timetable in CPP Development Plan | Fleet strategies and plans were developed to inform our Asset Management Plan. The fleet strategies capture plausible asset failure modes and consider the information requirements for management of each asset fleet. Further details are available in the Company's Annual Delivery Report for year ended 31 March 2026 |
| Effective long-term planning for Aurora Energy's asset portfolio is in place | Annual and compliant Asset Management Plan is published as per regulatory requirements | A 10-year Asset Management Plan (AMP) Update was published by 31st March 2026 for the 2027-2036 period |

**Reliability Performance Targets (Statement of Intent Targets – Period Ended 31 March 2026)**

| SAIDI | AVERAGE MINUTES WITHOUT ELECTRICITY PER CONSUMER | |
|---|---|---|
| Class B Interruptions (Planned) | ≤ 215.55 minutes | 85.35 minutes |
| Class C Interruptions (Unplanned) | ≤ 128.36 minutes | 112.46 minutes |

| SAIFI | AVERAGE FREQUENCY OF OUTAGES PER CONSUMER | |
|---|---|---|
| Class B Interruptions (Planned) | ≤ 1.22 | 0.49 interruptions |
| Class C Interruptions (Unplanned) | ≤ 1.97 | 1.29 interruptions |

*Class C SAIDI and SAIFI are expressed as normalised figures. The Commerce Commission's price-quality framework allows for the effect of extreme events to be removed, resulting in normalised figures that are compared against target. The raw results for Class C SAIDI and SAIFI were 240.53 minutes and 1.66 interruptions respectively.





# Statement of service performance (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## CUSTOMERS AND COMMUNITIES

| OBJECTIVES | PERFORMANCE MEASURES | DESCRIPTION |
|---|---|---|
| Maintain community support through approved sponsorships and community initiatives | Sponsorship and community initiatives $ per annum of at least $25,000 | $103,103 was provided to support community initiatives during the year. Aurora Energy's primary community sponsorships were Electrify Queenstown 2026 and Te Runaga Otakau for energy efficiency at Otakou Marae |
| To provide regular updates and consult with the community on the delivery of our CPP programme | Annual delivery reporting and regional community engagements are delivered in accordance with the approved CPP timeframe | Published the 31 March 2025 Annual Delivery Report by 31 August 2025. Public engagement forums held in each pricing region before 31 October 2025 |
| Streamline customer service processes and build key stakeholder relationships | Annual customer satisfaction/ perception survey shows year on year improvement against key criteria | Survey results continue to show improvements in the key criteria areas of awareness, performance and trust |

## DIGITAL ENABLEMENT

| OBJECTIVES | PERFORMANCE MEASURES | DESCRIPTION |
|---|---|---|
| Deliver work programme outcomes to scope, time and budget | Work programmes are delivered to Contractors on a rolling quarterly basis in accordance with Field Service contract terms | Annual work and project plans are being delivered in accordance with Field Service contract terms (renewed with effect from 1 April 2024)<br>Variations to budget are reported and addressed via delegated authorities |
| Develop a digital transformation roadmap to support intelligent business transformation | Digital transformation roadmap approved by the Board and targets for FY2026 are met | Digital transformation roadmap monitored by the Board |

# Statement of service performance (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**



## DELIVERING VALUE

| OBJECTIVES | PERFORMANCE MEASURES | DESCRIPTION |
|---|---|---|
| To deliver commercial, growth-focused value to our shareholder | Regulatory performance metrics for compliance are tracked and reported quarterly | Quarterly tracking and reporting of regulatory performance metrics has ensured compliance and informed strategies to drive commercial growth |
| To understand long term value optimisation for the next regulatory period | Submissions on strategic regulatory matters are lodged on a timely basis by Aurora (or via ENA)<br>CPP to DPP transition plan approved by the Board | Timely submissions on a wide range of regulatory matters have been delivered during the year. The process and timeline for engaging with the Commission on Aurora Energy's CPP to DPP4 transition was agreed |
| Contribute to Council's Carbon Neutrality initiatives * | Continue to refine and implement our carbon emissions reduction strategy, and achieve and publicly report progress against our FY2026 targets | Work to refine Aurora Energy's carbon emissions strategy was completed during the year. We will continue to implement the refined strategy during FY2027 |
| Minimise waste and the associated negative environmental impacts | Continue to refine and implement our waste reduction strategy, and achieve and publicly report progress against our FY2026 targets | Work to refine Aurora Energy's waste reduction strategy was completed during the year. We will continue to implement the refined strategy during FY2027 |
| Implement opportunities to transition light motor fleet to electric or hybrid vehicles where appropriate | Achieve the FY2026 targets for electrification of the company's motor fleet as set out in the Aurora Energy emissions reduction strategy | We have implemented a fleet transition plan to replace ICE vehicles with electric vehicles where fit for purpose electric options are available |

* In July 2026, based on updated emissions modelling showing the Dunedin citywide 2030 net zero target was highly unlikely to be achieved, the Dunedin City Council resolved to adopt a new target, with a short-term gross emissions reduction target (emissions before carbon dioxide absorbed by trees is considered), and a longer-term net zero target.





# Statement of service performance (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**



## DELIVERING VALUE - continued

| OBJECTIVES | PERFORMANCE MEASURES | DESCRIPTION |
|---|---|---|
| Increase sustainability reporting and climate related disclosures in our Annual Report | Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report | Sustainability reporting is again included in this year's 2026 Annual Report |

## SHAREHOLDER

| OBJECTIVES | PERFORMANCE MEASURES | DESCRIPTION |
|---|---|---|
| Consult with the Shareholder at the earliest possible time on matters where conflict may or could result | Potential conflicts notified to the Shareholder<br>Targets: No unnotified potential conflicts | There were no issues of potential strategic or operational conflict to be notified to the Shareholder |
| On a "no surprises" basis, advise the Shareholder promptly of any substantive matter that has the potential to impact negatively on the Shareholder and the Company with a particular focus on the media | Substantive matters reported to the Shareholder within 24 hours<br>Targets: All substantive matters reported within 24 hours | All substantive matters were reported to the Shareholder within 24 hours |

## FINANCIAL OBJECTIVES

| FINANCIAL RESULTS – NZD '000'S | TARGET | ACTUAL |
|---|---|---|
| EBITDA [1] | >105,313 | 106,200 |
| Net profit after tax | >31,744 | 35,364 |
| Shareholder's funds | >275,945 | 286,009 |
| Shareholder's funds to total assets | >27% | 28% |
| Cash flow from operations | >70,060 | 79,506 |
| Capital expenditure | >108,579 | 91,129 |
| Term debt | ≤616,560 | 587,865 |

1 EBITDA target and outcomes are calculated prior to deducting asset disposals.

# Network performance

These statistics are generally as required to be disclosed by the Commerce Commission Information Disclosure Requirements.

| 12 MONTHS ENDED 31 MARCH | | 2026 | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|---|
| **System Physical Measures** | | | | | | |
| Average length of lines and cables | km | 6,432 | 6,378 | 6,312 | 6,256 | 6,213 |
| Total capacity of distribution transformers | MVA | 1,072 | 1,041 | 1,046 | 1,025 | 1,011 |
| Distribution transformer capacity utilisation | % | 30% | 30% | 30% | 30% | 31% |
| **Consumer Measures** | | | | | | |
| Number of consumer connections | | 98,161 | 96,792 | 95,604 | 94,723 | 93,785 |
| System maximum coincident demand | MW | 318 | 311 | 311 | 309 | 309 |
| Energy received for delivery [1] | GWh | 1,470 | 1,481 | 1,467 | 1,435 | 1,382 |
| Average load factor | | 53% | 54% | 54% | 53% | 51% |
| Average minutes off per interruption | CAIDI | 111 | 98 | 105 | 90 | 97 |
| Average interruptions per annum | SAIFI | 1.8 | 1.7 | 2.1 | 2.4 | 2.3 |
| Average minutes off per annum | SAIDI | 199 | 167 | 217 | 217 | 223 |

NOTES:
km - kilometres
MVA - megavolt amperes
MW - megawatts
GWh - gigawatt hours
CAIDI - Consumer Average Interruption Duration Index
SAIFI - System Average Interruption Frequency Index
SAIDI - System Average Interruption Duration Index

1 Energy received statistics for years ended 30 June are reported in the Trend Statement on page 34.

# Directors' report

**FOR THE YEAR ENDED 30 JUNE 2026**

The Directors of Aurora Energy Limited are pleased to report on the financial results and associated matters for the year ended 30 June 2026.

## PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities of the Company are the ownership and strategic management of its electricity distribution network assets.

| RESULTS FOR THE YEAR ENDED 30 JUNE 2026 | $000 |
|---|---|
| Operating profit before income tax | 48,620 |
| Income tax expense | 13,256 |
| Net profit after tax | 35,364 |

## STATE OF AFFAIRS

The Directors believe that the state of affairs of the Company is satisfactory.

## DIVIDENDS

No dividends were declared or paid during the year.

## REVIEW OF OPERATIONS

The Company completed the final year of its CPP investment programme and transitioned to the Default Price-Quality Path (DPP4) for Electricity Distribution Businesses during the period under review.

In addition to delivering safety, reliability and resilience improvements, Aurora Energy continued to lead future facing initiatives focused on sector collaboration, increasing supply capacity into the Queenstown and Upper Clutha/Wānaka regions and innovative solutions for consumers and community stakeholders.

Operating results compared favourably with performance targets for the reporting period.

## FINANCIAL STATEMENTS

The audited financial statements for the year ended 30 June 2026 are attached to this report.





# Directors' report (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## DIRECTORS' INTERESTS IN CONTRACTS

Disclosures of interests made by Directors are recorded in the Company's interests register.

These general disclosures of interests are made in accordance with S140 (2) of the Companies Act 1993 and serve as notice that the Directors may benefit from any transaction between the Company and any of the disclosed entities. Details of these declarations are included in the Information on Directors section of this report.

Any significant contracts involving Directors' interests that were entered into during the year ended 30 June 2026 or existed at that date are disclosed in the related parties section of this report.

## DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was:

| | |
|---|---|
| Stephen R Thompson | $118,000 |
| Simon J Clarke | $59,000 |
| Janice E Fredric | $59,000 |
| Wendie N Harvey | $59,000 |
| Stephen P Lewis | $59,000 |
| Ken I Sutherland | $59,000 |
| | $413,000 |

## EMPLOYEES' REMUNERATION

The number of employees and former employees whose remuneration and benefits exceeded $100,000 for the year ended 30 June 2026 is listed below. Remuneration includes all non-cash benefits and redundancy payments at total cost to the Company where applicable.

| | |
|---|---|
| $100,000 – $109,999 | 12 |
| $110,000 – $119,999 | 16 |
| $120,000 – $129,999 | 12 |
| $130,000 – $139,999 | 11 |
| $140,000 – $149,999 | 8 |
| $150,000 – $159,999 | 8 |
| $160,000 – $169,999 | 7 |
| $170,000 – $179,999 | 10 |
| $180,000 – $189,999 | 4 |
| $190,000 – $199,999 | 4 |
| $200,000 – $209,999 | 6 |
| $210,000 – $219,999 | 2 |
| $220,000 – $229,999 | 2 |
| $240,000 – $249,999 | 1 |
| $260,000 – $269,999 | 1 |
| $280,000 – $289,999 | 1 |
| $300,000 – $309,999 | 1 |
| $340,000 – $349,999 | 2 |
| $400,000 – $409,999 | 1 |
| $690,000 – $699,999 | 1 |
| | **110** |

# Directors' report (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**



## AUDIT AND RISK COMMITTEE

Mrs Fredric, Mr Thompson, Mr Lewis, and Mr Sutherland were members of the Audit and Risk Committee during the year. The Audit and Risk Committee has the responsibility for agreeing the arrangements for audit of the Company's financial statements. Its responsibilities include ensuring that appropriate audit consideration is given to the following issues:

- effectiveness of systems and standards of internal control
- quality of management controls
- management of business risk
- compliance with legislation, standards, policies and procedures
- appointing and monitoring the internal audit function.

Specific areas for the Audit & Risk Committee's review were identified, and a number of reviews were completed, with the results reported to the Board. Review of further areas is ongoing, and progress is satisfactory.

KPMG continued as internal auditor to the Company.

## HEALTH, SAFETY AND WELLBEING COMMITTEE

Mr Lewis, Mr Thompson, Mrs Harvey and Mr Sutherland were members of the Health, Safety and Wellbeing Committee during the year. The Committee's principal responsibility is to review and make recommendations to the Board on the appropriateness and effectiveness of the Company's health, safety and wellness strategy, performance and governance.

## REMUNERATION (PEOPLE) AND TALENT COMMITTEE

Mrs Harvey, Mr Thompson and Mr Clarke were members of the Remuneration, People and Talent Committee throughout the year. The Remuneration, People and Talent Committee's role is to develop and implement policies relating to the remuneration and other terms and conditions of service of the Chief Executive and senior staff and to oversee remuneration practices.





# Directors' report (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**



## AUDITOR

The Auditor-General is appointed Auditor pursuant to Section 45 of the Energy Companies Act 1992. The Auditor General has contracted the audit to The Audit Office.

## DIRECTORS' INSURANCE

In accordance with the Constitution, the Company has arranged policies of Directors' Liability Insurance that ensure that generally the Directors will incur no monetary loss as a result of actions undertaken by them as Directors, provided that they operate within the law.

## DIRECTORS' BENEFITS

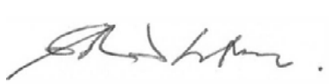
No Director has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the Directors shown in the financial statements.

There were no notices from Directors requesting to use Company information received in their capacity as Directors that would not otherwise have been available to them.

## EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant post balance date events other than those disclosed in the notes to the financial statements.

For and on behalf of the Board of Directors



Stephen Thompson
**CHAIR**

Janice Fredric
**DIRECTOR**

17 September 2026

# Information on directors



| DIRECTOR | QUALIFICATIONS | DATE APPOINTED | DECLARATIONS OF INTERESTS AS AT 30 JUNE 2026 |
|---|---|---|---|
| **Stephen R Thompson**<br>Non-Executive Chairman | BCom,<br>FCA,<br>CF.Inst.D. | June 2016 | Chair and shareholder – Thompson Bloodstock Limited |
| | | | Director and shareholder – Passmore Consulting Services Limited |
| | | | Director and shareholder – Logistics Property Limited |
| | | | Director – F.S. Investments Limited |
| | | | Director and Shareholder – Keano's Trustee Company Limited (retired 15 December 2025) |
| | | | Shareholder – Owhiro River Limited |
| | | | Director – Wanaka Bay Limited |
| | | | Director and Shareholder – Lakes Realty Limited |
| | | | Shareholder – McKenzie Architects Limited |
| | | | Director and Shareholder – Best View Limited |
| | | | Shareholder – Cerise Orchard Limited |
| | | | Shareholder – OB Horn Company Limited |
| | | | Shareholder – Renaissance Holdings (NZ) Limited |
| | | | Shareholder – Richard E Shackleton Architects Limited |
| | | | Director and Shareholder – Anreca Investments Limited |
| | | | Director and Shareholder – Lake McKay GP Limited |
| | | | Director and Shareholder – Lake McKay 2024 GP Limited |
| | | | Shareholder – Airtime New Zealand Limited |
| | | | Shareholder – The Gin Company Limited |
| | | | Director and Shareholder – Julian Smith Investment Trust Custodian Limited |
| | | | Director and Shareholder – Julian Smith Family Trust Custodian Limited |
| | | | Shareholder – Fraser Smith Holdings Limited |



# Information on directors (cont.)





| DIRECTOR | QUALIFICATIONS | DATE APPOINTED | DECLARATIONS OF INTERESTS AS AT 30 JUNE 2026 |
|---|---|---|---|
| **Wendie N Harvey**<br>Non-Executive Director | LLB | November 2018 | Chair – Eastland Infrastructure Limited |
| | | | Director – Eastland Port Limited |
| | | | Director – Gisborne Airport Limited |
| | | | Director and Shareholder – Excellence in Business Solutions Limited |
| | | | Director – TAB |
| | | | Director – Port Taranaki |
| | | | Board Member – Hawkes Bay Regional Recovery Agency |
| | | | Director – Unison Contracting Services limited |
| | | | Director – Counties Energy Limited |
| | | | Director - Ahuriri Investment Management Limited (from 1 August 2025) |
| | | | Non-Executive Director – Eastland Investment Properties Limited |
| | | | Director - Water Hawkes Bay Limited (appointed 27 June 2026) |
| | | | Chair, Hawkes Bay Water Services Establishment Board (entity ceased 26 June 2026) |
| **Stephen P Lewis**<br>Non-Executive Director | CM.Inst.D.<br>FIET<br>MIAM | July 2021 | Chair and Director – Electricity Invercargill Limited |
| | | | Director – MainPower New Zealand Limited |
| | | | Director – Alpine Energy Ltd |
| | | | Director – Mt Cass Wind Farm Limited (ceased 9 December 2025) |
| | | | Director – Greenpower New Zealand Limited |

# Information on directors (cont.)



| DIRECTOR | QUALIFICATIONS | DATE APPOINTED | DECLARATIONS OF INTERESTS AS AT 30 JUNE 2026 |
|---|---|---|---|
| **Simon J Clarke**<br>Non-Executive Director | LLB, BA (Arts)<br>CM.Inst.D. | July 2021 | Non Executive Chair – Bay Venues Limited |
| | | | Owner/Director/Shareholder – Matua Governance Limited (Strategic Advisor to NZ & Australian utilities sectors) |
| | | | Director – Bluecurrent Holdings NZ Limited and subsidiaries |
| | | | Director – Bluecurrent Holdings (Australia) Pty Limited and subsidiaries. |
| | | | Independent Non-Executive Director – Boffa Miskell Limited |
| | | | Chair/Trustee – The Whanau Trust (ceased 5 November 2025) |
| | | | Advisory Board Member – OLT Limited (ceased 5 November 2025) |
| **Janice E Fredric**<br>Non-Executive Director | BCom, FCA<br>MBA(Dist),<br>CF.Inst.D | July 2022 | Chancellor – Lincoln University (from 1 January 2026) |
| | | | Director – MainPower New Zealand Limited |
| | | | Independent Member of Audit & Risk Committee – Timaru District Council |
| | | | Trustee – New Zealand Shipwreck Welfare Trust |
| | | | Trustee – Treygynon Charitable Trust |
| | | | Director - Green Power New Zealand Limited |
| | | | Mt Cass Wind Farm Limited - (ceased 9 December 2025) |
| | | | Ex-officio Trustee - Lincoln University Foundation (from 1 January 2026) |
| | | | Ex-officio Trustee – Lincoln University Centennial Trust (from 1 January 2026) |
| | | | Council Member – Lincoln University (ceased 31 December 2025) |
| **Kenneth I Sutherland**<br>Non-Executive Director | BBS, FCA | July 2025 | Director - Ara Ake Limited |

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2026

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# Statement of comprehensive income

**FOR THE YEAR ENDED 30 JUNE 2026**

| | Note | 2026 $000 | 2025 $000 |
|---|---|---|---|
| Operating revenue | 3 | 202,741 | 177,303 |
| Financial revenue | 4 | 12 | 19 |
| **Total revenue** | | **202,753** | **177,322** |
| Less expenses | | | |
| Operating expenses | 5 | 132,076 | 121,016 |
| Financial expenses | 6 | 22,057 | 22,450 |
| **Total expenditure** | | **154,133** | **143,466** |
| **Profit before tax** | | **48,620** | **33,856** |
| Income tax expense | 9 | 13,256 | 9,551 |
| **Net profit after tax for the year** | | **35,364** | **24,305** |
| Other comprehensive income | | - | - |
| Total other comprehensive income for the year | | - | - |
| **Total comprehensive income for the year** | | **35,364** | **24,305** |



The accompanying notes and accounting policies form an integral part of these audited financial statements.



# Statement of changes in equity

**FOR THE YEAR ENDED 30 JUNE 2026**

| | Share Capital $000 | Hedge Reserve $000 | Retained Earnings $000 | Total Equity $000 |
|---|---|---|---|---|
| Equity as at 1 July 2025 | 10,000 | - | 240,645 | 250,645 |
| Profit after tax | - | - | 35,364 | 35,364 |
| Comprehensive income | - | - | - | - |
| **Equity as at 30 June 2026** | **10,000** | **-** | **276,009** | **286,009** |
| Equity as at 1 July 2024 | 10,000 | - | 216,340 | 226,340 |
| Profit after tax | - | - | 24,305 | 24,305 |
| Comprehensive income | - | - | - | - |
| **Equity as at 30 June 2025** | **10,000** | **-** | **240,645** | **250,645** |



The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Statement of financial position

**FOR THE YEAR ENDED 30 JUNE 2026**

| | Note | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 11 | 10,000 | 10,000 |
| Retained earnings | 12 | 276,009 | 240,645 |
| **Total equity** | | **286,009** | **250,645** |
| **CURRENT LIABILITIES** | | | |
| Lease liabilities | 7 | 741 | 974 |
| Trade and other payables | 13 | 20,198 | 20,206 |
| Contract liabilities | 14 | 795 | 814 |
| Borrowings | 17 | 2,488 | 2,270 |
| Other current liabilities | 15 | 606 | 498 |
| Tax provision | 9 | 3,071 | 2,011 |
| Employee provisions | 16 | 2,707 | 2,723 |
| **Total current liabilities** | | **30,606** | **29,496** |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 7 | 1,362 | 1,732 |
| Employee provisions | 16 | 481 | 456 |
| Borrowings | 17 | 587,865 | 573,080 |
| Contract liabilities | 14 | 1,762 | - |
| Deferred tax liability | 18 | 110,520 | 99,384 |
| **Total non-current liabilities** | | **701,990** | **674,652** |
| **Total liabilities** | | **732,596** | **704,148** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,018,605** | **954,793** |



The accompanying notes and accounting policies form an integral part of these audited financial statements.



# Statement of financial position (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

| | Note | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 19 | 818 | 57 |
| Trade and other receivables | 20 | 25,443 | 20,889 |
| Inventories | 22 | 2,076 | 1,674 |
| **Total current assets** | | **28,337** | **22,620** |
| **NON-CURRENT ASSETS** | | | |
| Investments | 21 | 31 | 27 |
| Intangible assets | 24 | 769 | 2,909 |
| Deferred tax asset | 18 | 2,370 | 1,756 |
| Property, plant and equipment | 23 | 985,081 | 924,877 |
| Right of use assets (ROU) | 7 | 2,017 | 2,604 |
| **Total non-current assets** | | **990,268** | **932,173** |
| **TOTAL ASSETS** | | **1,018,605** | **954,793** |

For and on behalf of the Board of Directors

Stephen Thompson
**CHAIRMAN**

Janice Fredric
**DIRECTOR**

17 September 2026



The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Statement of cash flows

**FOR THE YEAR ENDED 30 JUNE 2026**

| | Note | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Cash was provided from** | | | |
| Receipts from customers | | 200,338 | 174,435 |
| Interest and dividends received | | - | - |
| IRD research & development rebate | | - | 8 |
| Intra group tax loss/subvention payment | | 528 | 523 |
| | | 200,866 | 174,966 |
| **Cash was disbursed to** | | | |
| Payments to suppliers and employees | | 95,697 | 88,513 |
| Interest paid | | 23,125 | 23,031 |
| Intra group tax loss/subvention payment | | 2,202 | 2,993 |
| Net GST (received)/paid | | 336 | (225) |
| | | 121,360 | 114,312 |
| **Net cash inflows from operating activities** | 26.1 | **79,506** | **60,654** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **Cash was provided from** | | | |
| Sale of property, plant and equipment including intangible assets | | 17 | - |
| | | 17 | - |
| **Cash was disbursed to** | | | |
| Purchase of property, plant and equipment including intangible assets | | 92,429 | 94,147 |
| | | 92,429 | 94,147 |
| **Net cash (outflows) from investing activities** | | **(92,412)** | **(94,147)** |



The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Statement of cash flows (cont.)



**FOR THE YEAR ENDED 30 JUNE 2026**

| | Note | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **Cash was provided from** | | | |
| Proceeds from borrowings | | 97,815 | 93,475 |
| **Cash was disbursed to** | | | |
| Repayment of borrowings | | 83,030 | 58,920 |
| Lease liability repayment | | 1,118 | 1,131 |
| | | 84,148 | 60,051 |
| **Net cash inflows from financing activities** | 26.2 | **13,667** | **33,424** |
| **Net increase/(decrease) in cash, cash equivalents and bank overdraft** | | **761** | **(69)** |
| Cash and cash equivalents at beginning of the year | | 57 | 126 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 19 | **818** | **57** |



The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Notes to the financial statements

**FOR THE YEAR ENDED 30 JUNE 2026**

## 1 REPORTING ENTITY

The financial statements are for the reporting entity Aurora Energy Limited (the Company).

The financial statements have been prepared in accordance with the requirements of the Energy Companies Act 1992.

The Company, incorporated in New Zealand under the Companies Act 2013, is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

These financial statements are presented in New Zealand dollars, and have been rounded to the nearest thousand.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

The Company is a Tier 1 for–profit entity as defined by the External Reporting Board (expenses over $30 million) and has reported in accordance with Tier 1 For-profit Accounting Standards. These annual financial statements are general purpose financial reports which have been prepared in accordance with NZ IAS 1, additional information as requested by Directors, and in accordance with NZ GAAP. They comply with New Zealand Equivalents to IFRS, and other applicable Financial Reporting Standards, as appropriate for profit orientated entities.

The financial statements were authorised for issue by the Directors on 17 September 2026.

### Basis of Accounting

The financial statements have been prepared on the historic cost basis, except for the revaluation of certain assets including cash flow hedge instruments. The going concern assumption has been applied. The accounting policies set out below have been applied consistently to all periods in these financial statements and notes.

### Critical Accounting Judgements, Estimates and Assumptions

In preparing these financial statements the Company has made judgements, estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated.

### Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. The Statement of Cash Flows is exclusive of GST.





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 2 SIGNIFICANT ACCOUNTING POLICIES - continued

### Impairment of Assets

At each balance date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Any impairment loss is immediately expensed to the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is immediately recognised in the statement of comprehensive income.

### Financial Instruments

Financial instruments are contracts that give rise to financial assets and financial liabilities that are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

### Changes in Accounting Policies

No new accounting policies were adopted in the year to 30 June 2026. .

### Standards amended or issued during the year

During the period, there were no new or amended accounting standards which materially affected the Company or its reporting.

### Standards issued but not yet effective

Amendments to the following Standards have been issued but are not yet effective:

- NZ IFRS 18 Presentation and disclosure of Financial Statements,
- IFRS 20 Regulatory Assets and Regulatory Liabilities,
- NZ IFRS 9 Financial Instruments and NZ IFRS 7 Financial Instruments: Disclosures,
- NZ IFRS 10 Consolidated Financial Statements and NZ IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to NZ IFRS 18 Presentation and disclosure of Financial Statements introduce new requirements intended to improve how information is communicated in the financial statements – in particular, information in the statement of profit or loss. Aurora Energy has not early-adopted the change to NZ IFRS 18 Presentation and disclosure in Financial Statements. Aurora Energy will adopt this change in FY2027, and restate FY2026 comparatives.

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**



## 2 SIGNIFICANT ACCOUNTING POLICIES - continued

The IASB issued IFRS 20 Regulatory Assets and Regulatory Liabilities on 27 May 2026. IFRS 20 is effective for annual reporting periods beginning on or after 1 January 2029. The XRB has not yet adopted this standard. If an equivalent standard is adopted by the XRB, the company will apply the standard when required to based on the mandatory effective dates determined by the XRB. The company has not yet assessed the impact of this standard on the financial statements.

Amendments to NZ IFRS 9 Financial Instruments and NZ IFRS 7 Financial Instruments: Disclosures include clarifying the classification of financial assets with ESG features, allowing derecognition of financial liabilities settled electronically before cash delivery if criteria are met, and adding new disclosures for FVOCI-designated equity investments and instruments with contingent features.

The amendments to NZ IFRS 10 Consolidated Financial Statements and NZ IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture require entities to recognise a full gain or loss when selling or contributing a business to an associate or joint venture. For transactions involving non-business assets, only a partial gain or loss is recognised, including when the assets are in a subsidiary.

The amendments to these standards will not have a material impact on the financial reporting of the Company.





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**



| | 2026 $000 | 2025 $000 |
|---|---|---|
| **3 OPERATING REVENUE** | | |
| Line charges | 155,021 | 131,641 |
| Pass-through and recoverable cost revenue | 34,323 | 28,728 |
| Customer contributions | 11,735 | 15,007 |
| **Total revenue** | **201,079** | **175,376** |
| Other income | 1,662 | 1,927 |
| **Total revenue and other income** | **202,741** | **177,303** |

Line charges and pass-through and recoverable cost revenue is recognised at the fair value of services provided. These revenue streams relate to the provision of distribution services for electricity. Prices are regulated and customers are charged through a mix of fixed charges which are recognised on a straight-line basis and variable charges which are recognised based on the volume of distribution services provided. Consistent with NZ IFRS 15 this revenue is recognised during the period in which the service is delivered.

Customer contribution revenue relates to contributions received from customers towards the costs of reticulating electricity to new connections, constructing uneconomic lines and relocating existing network assets. Revenue is generally recognised at the time the new connection is fully constructed and livened. For contracts with multiple performance obligations revenue is recognised at the point in time when each performance obligation is satisfied.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company.

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer, when the revenue can be measured reliably and when management effectively ceases involvement or control.

Having considered the revenue recognition criteria of NZ IFRS 15, the Company has determined that line charges and customer contributions received during the reporting period continue to meet the requirements for recognition as up-front revenue.

### Impact of 2021 Customised Price-Quality Path Determination on revenue recognition

The Commerce Commission's Customised Price-Quality Path Determination for Aurora Energy included a 10% limit on the annual increase in line charge revenue in order to reduce the price impact on consumers. Combined with the impact of volume driven revenue variances the revenue wash-up amount for year ended 31 March 2026 is $41.037 million (Restated 2025: $31.060 million). The 2025 revenue washup amount was adjusted downwards to $31.060 million (-$0.041 million), following an adjustment to reflect a low-value transfer of assets previously owned in Te Anau. Revenue wash-up amounts will be recovered from consumers in future financial years.

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **4 FINANCIAL REVENUE** | | |
| Interest and dividends received | 12 | 19 |

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## 5 OTHER EXPENSES

**Included in the operating expenses of the Company are the following items:**

| | | |
|---|---|---|
| Audit fees | | |
| - for audit of financial statements | 263 | 224 |
| - for assurance engagement for the Information Disclosure | 65 | 62 |
| - for assurance engagement for the Annual Compliance Statement in compliance with the Customised Price-Quality Path Determination | 38 | 38 |
| - for assurance engagement for the Annual Delivery Report | 59 | 59 |
| - for Commerce Commission additional information request assurance services | 15 | 14 |
| **Total audit fees** | **440** | **397** |
| Transmission costs | 34,323 | 28,728 |
| Depreciation and amortisation | 31,837 | 29,825 |
| Depreciation - leases | 1,009 | 1,025 |
| Maintenance costs | 24,523 | 23,093 |
| Employee remuneration and benefits | 19,487 | 18,996 |
| Directors' fees & disbursements | 464 | 329 |
| Bad debts written off | 303 | 49 |
| Loss on sale / disposal of fixed assets | 2,677 | 2,133 |
| Increase / (decrease) in expected credit losses | (250) | (70) |





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **6 FINANCIAL EXPENSES** | | |
| Interest - other | 8 | 8 |
| Interest - related parties | 23,335 | 23,775 |
| Interest - capitalised | (1,380) | (1,440) |
| Interest - leases | 94 | 107 |
| **Total financial expenses** | **22,057** | **22,450** |

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare them for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The interest rate used to calculate borrowing costs in the year to 30 June 2026 was 4.05% (2025: 4.28%). This was the interest rate applicable to new project financing in the reporting period.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

## 7 LEASES AND RIGHT OF USE ASSETS

Leases are classified as right-of-use assets except where lease payments that are short-term or low value are recognised as an expense on a straight-line basis over the term of the lease.

Lease liability payments are allocated between interest expense and reduction of the lease liability over the term of the lease.

Capitalised right-of-use assets are depreciated over the shorter of the estimated useful life of the assets and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

### Lease liabilities

Leases entered into and identified by the Company include property leases, communication access rights, and vehicle leases. In assessing whether an arrangement is, or contains a lease, the Company considers whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 7 LEASES AND RIGHT OF USE ASSETS - continued

| LEASE MATURITY ANALYSIS AS AT 30 JUNE 2026 | Minimum Lease Payments $000 | Interest $000 | Present Value $000 |
|---|---|---|---|
| Payable within one year | 756 | 15 | 741 |
| Payable between one to five years | 1,027 | 127 | 900 |
| Payable later than five years | 526 | 64 | 462 |
| **Total** | | | **2,103** |
| | | | |
| Current Portion | | | 741 |
| Non-current Portion | | | 1,362 |
| | | | **2,103** |

| LEASE MATURITY ANALYSIS AS AT 30 JUNE 2025 | Minimum Lease Payments $000 | Interest $000 | Present Value $000 |
|---|---|---|---|
| Payable within one year | 1,011 | 37 | 974 |
| Payable between one to five years | 1,307 | 177 | 1,130 |
| Payable later than five years | 668 | 66 | 602 |
| **Total** | | | **2,706** |
| | | | |
| Current Portion | | | 974 |
| Non-current Portion | | | 1,732 |
| | | | **2,706** |

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **Cashflow** | | |
| Total cash outflow in relation to leases | 1,485 | 1,449 |
| **Lease expenses included in profit and loss relate to** | | |
| Short term leases | 374 | 322 |
| Interest on leases | 94 | 107 |





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 7 LEASES AND RIGHT OF USE ASSETS - continued

**RIGHT OF USE ASSETS**

| MOVEMENTS IN YEAR ENDED 30 JUNE 2026 | Buildings $000 | Network $000 | Plant & Equipment $000 | Motor Vehicles $000 | Total $000 |
|---|---|---|---|---|---|
| Opening net book value | 1,576 | - | 760 | 268 | 2,604 |
| Additions | 420 | - | 2 | - | 422 |
| Disposals | - | - | - | - | - |
| Depreciation charge | (637) | - | (231) | (141) | (1,009) |
| Closing net book value | 1,359 | - | 531 | 127 | 2,017 |
| As at 30 June 2026 | | | | | |
| Cost | 5,365 | - | 2,740 | 1,256 | 9,361 |
| Accumulated depreciation | (4,006) | - | (2,209) | (1,129) | (7,344) |
| **Net book value** | **1,359** | **-** | **531** | **127** | **2,017** |

| MOVEMENTS IN YEAR ENDED 30 JUNE 2025 | Buildings $000 | Network $000 | Plant & Equipment $000 | Motor Vehicles $000 | Total $000 |
|---|---|---|---|---|---|
| Opening net book value | 1,573 | - | 919 | 211 | 2,703 |
| Additions | 687 | - | 71 | 168 | 926 |
| Disposals | - | - | - | - | - |
| Depreciation charge | (684) | - | (230) | (111) | (1,025) |
| Closing net book value | 1,576 | - | 760 | 268 | 2,604 |
| As at 30 June 2025 | | | | | |
| Cost | 4,945 | - | 2,738 | 1,256 | 8,939 |
| Accumulated depreciation | (3,369) | - | (1,978) | (988) | (6,335) |
| **Net book value** | **1,576** | **-** | **760** | **268** | **2,604** |

Right of use (ROU) assets are initially recognised at cost, comprising the initial amount of the lease liability less any unamortised lease incentives. ROU assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In considering the lease term, the Company applies judgment in determining whether it is reasonably certain that an extension or termination option will be exercised. As at 30 June 2026 the lease renewal options in relation to office premises were not fully recognised in lease terms on the basis that it was less than certain all rights of renewal would be exercised.

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 8 DIVIDENDS

No dividend was declared or payable for the year ended 30 June 2026 (2025: Nil).

## 9 TAXATION

The tax expense comprises both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit. Current tax and deferred tax is charged or credited to the statement of comprehensive income except when deferred tax relates to items charged directly to equity. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance date.

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **Income Tax** | | |
| Operating profit/(loss) before income tax | 48,620 | 33,856 |
| Tax thereon at 28% (2025: 28%) | 13,614 | 9,480 |
| *Plus/(Less) the Tax Effect of Differences* | | |
| Expenditure (deductible)/non-deductible for taxation purposes | 671 | 481 |
| Consolidated group adjustment | (750) | (217) |
| Under /(over) tax provision in prior years | (279) | (193) |
| Tax effect of differences | (358) | 71 |
| **Tax expense** | **13,256** | **9,551** |
| | | |
| *Represented by* | | |
| Current tax provision | 3,071 | 2,011 |
| Under /(over) tax provision in prior years | (337) | 25 |
| Deferred tax provision | 10,464 | 7,733 |
| Under /(over) deferred tax in prior year | 58 | (218) |
| **Total income tax** | **13,256** | **9,551** |





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 9 TAXATION - continued

During the 2026 income year, Aurora Energy has removed from its cost of assets for tax depreciation purposes the identified profits arising on the construction of those assets supplied by DCHL subsidiary, Delta Utility Services Limited. These profits have also been deducted from the calculation of taxable income of the consolidated tax group. For accounting purposes, the group has decided to recognise the adjustment to remove the profit component of these assets and reflect a current year tax compensation payment of $749,619 from Delta to Aurora. This approach has been adopted since 1 July 2015.

### Imputation credit account

The Company is a member of an income tax consolidated group and has access to the income tax consolidated group's imputation credit account.

## 10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the total comprehensive income attributable to the Shareholder of the Company by the weighted average number of ordinary shares on issue during the year.

| | 2026 | 2025 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares | 10,000,000 | 10,000,000 |

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **Basic earnings per share in dollars** | **3.54** | **2.43** |

## 11 EQUITY - SHARE CAPITAL

| | | |
|---|---|---|
| **Issued capital** - 10,000,000 ordinary shares | 10,000 | 10,000 |

## 12 RETAINED EARNINGS

| | | |
|---|---|---|
| Balance at beginning of the year | 240,645 | 216,340 |
| Net profit for the year | 35,364 | 24,305 |
| **Balance at end of the year** | **276,009** | **240,645** |

## 13 TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost and include:

| | | |
|---|---|---|
| Trade payables | 20,198 | 20,206 |
| | **20,198** | **20,206** |

The Directors consider that the carrying amount of trade payables approximates their fair value. Creditors and other payables are non-interest bearing and are normally settled on 30-day terms.

## 14 CONTRACT LIABILITIES

Contract liabilities relate to customer prepayments on capital contribution projects that have not been completed. The current portion reflected in the note below represents the total value of customer contributions received on projects we expect to be complete within one year of balance date.

| | | |
|---|---|---|
| Current | 795 | 814 |
| Non-current | 1,762 | - |

## 15 OTHER CURRENT LIABILITIES

| | | |
|---|---|---|
| GST payable | 606 | 498 |
| | **606** | **498** |





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **16 EMPLOYEE PROVISIONS** | | |
| **(i) Current liabilities** | | |
| Annual leave | 2,590 | 2,332 |
| Long service leave | 73 | 81 |
| Gratuities | 44 | 42 |
| Other | - | 268 |
| **Balance at end of the year** | **2,707** | **2,723** |
| **(ii) Non-current liabilities** | | |
| Long service leave | 319 | 309 |
| Gratuities | 162 | 147 |
| **Balance at end of the year** | **481** | **456** |

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements to long service leave and retirement gratuities are calculated on an actuarial basis and are based on the reasonable likelihood that they will be earned by employees and paid by the Company.

The Company recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The calculation is based on the value of excess sick leave taken within the previous twelve months.

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**



| | 2026 $000 | 2025 $000 |
|---|---|---|
| **17 BORROWINGS (SECURED)** | | |
| Dunedin City Treasury Limited - Term | 587,865 | 573,080 |
| Dunedin City Treasury Limited - Current | 2,488 | 2,270 |
| | **590,353** | **575,350** |

Current borrowings reflect interest accrued on the Dunedin City Treasury Limited (DCTL) Term Loan as at balance date.

All borrowings are provided under a facility agreement with Dunedin City Treasury Limited (DCTL), a related party of the Company. DCTL provides corporate treasury services to Dunedin City Council (DCC), Dunedin City Holdings Limited (DCHL) and its subsidiaries. DCTL sources external debt and on-lends to DCC and the council-controlled organisations based on an average cost of borrowings. The borrowings are not required to be repaid provided the borrower is not in default and continues to meet the terms of the borrowing. The borrower may repay principal balances at any time.

DCTL typically reviews and sets a fixed interest rate at the beginning of each financial year but, contractually, interest rates may be reset every quarter. The fixed interest rate reflects the internal borrowing rate index of DCTL for the interest period. At the end of the financial year, or sooner if necessary, a retrospective interest rate adjustment is calculated to ensure that the effective rate charged to borrowers for the period reflects the actual costs of DCTL.

The Company has assessed that the fair value of borrowings on initial recognition is the face value. The interest rate set by DCTL is considered a market rate as it is based on an internal borrowing index for a fixed interest period. Debt is sourced by DCTL on ordinary commercial terms, arranged by major trading banks. DCTL also borrows from the Local Government Funding Agency (LGFA). DCTL has a credit rating equal to that of DCC and has assessed the same level of credit risk for all borrowers within the DCC group since they are ultimately owned by DCC and rely on their underlying support in a stress scenario. Accordingly, DCTL does not apply different credit spreads to different borrowers.

For the reasons noted above, the Company continues to deem it appropriate to measure its loan from DCTL at amortised cost.

The weighted average interest rate for the loan inclusive of any current portion, was 4.05% (2025: 4.28%).

At balance date, the Company had a term debt facility limit of $635 million. From 1 July 2026, the Company's term debt facility limit was increased to $685 million.





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**



## 18 DEFERRED TAX

| | Opening Balance $000 | Charged to Equity $000 | Charged to Income $000 | Closing Balance Assets $000 | Closing Balance Liabilities $000 | Closing Balance $000 |
|---|---|---|---|---|---|---|
| **YEAR ENDED 30 June 2026:** | | | | | | |
| Property, plant and equipment | (86,282) | - | (10,363) | - | (96,646) | (96,646) |
| Provisions | 1,756 | - | 614 | 2,370 | - | 2,370 |
| Customer contributions | (13,102) | - | (773) | - | (13,874) | (13,874) |
| Tax losses | - | - | - | - | - | - |
| **Balance at end of the year** | **(97,628)** | **-** | **(10,522)** | **2,370** | **(110,520)** | **(108,150)** |
| **YEAR ENDED 30 June 2025:** | | | | | | |
| Property, plant and equipment | (80,187) | - | (6,095) | - | (86,282) | (86,282) |
| Provisions | 1,383 | - | 373 | 1,756 | - | 1,756 |
| Customer contributions | (11,310) | - | (1,792) | - | (13,102) | (13,102) |
| Tax losses | - | - | - | - | - | - |
| **Balance at end of the year** | **(90,114)** | **-** | **(7,514)** | **1,756** | **(99,384)** | **(97,628)** |

Deferred tax assets and liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Movements in deferred tax assets and liabilities are charged or credited in the statement of comprehensive income in the financial year that the movement occurs, except when it relates to items charged or credited directly to equity.

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**



| | 2026 $000 | 2025 $000 |
|---|---|---|
| **19 CASH AND CASH EQUIVALENTS** | | |
| Cash and bank | 818 | 57 |
| | **818** | **57** |

Cash and cash equivalents is comprised of cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown with borrowings in current liabilities in the statement of financial position.

The carrying amount of these assets or liabilities approximate their fair value.

## 20 TRADE AND OTHER RECEIVABLES

Trade and other receivables are classified as financial assets at cost less any allowances for estimated irrecoverable amounts.

| | | |
|---|---|---|
| Trade receivables | 24,389 | 20,206 |
| Dunedin City Council and Group entities | 278 | 62 |
| | **24,667** | **20,268** |
| Less expected credit loss | (316) | (566) |
| | **24,351** | **19,702** |
| Prepayments | 1,092 | 1,187 |
| | **25,443** | **20,889** |

The Directors consider that the carrying amount of the trade and other receivables approximates their fair value. The expected credit loss is established when there is objective evidence of the Company's debtors being unable to make the required payments. The Company not only provides for those debts in excess of 90 days but also assesses debtor amounts that are past due when calculating the impairment.

In the year ended 30 June 2026 $302,993 of Trade receivables were written off (2025: $48,683).

| | | |
|---|---|---|
| Debtor ageing | | |
| Current | 24,411 | 19,667 |
| Past due 0 to 30 days | 85 | 20 |
| Past due 31-60 days | - | 3 |
| Past due 61-90 days | 4 | 40 |
| 90+ days | 167 | 538 |
| | **24,667** | **20,268** |





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**



## 21 INVESTMENTS

Investments are comprised of long-term equity instrument holdings which are available for sale. Investments are measured at fair value. Any gains or losses are recognised in the statement of comprehensive income for the period in which they occur.

| | | |
|---|---|---|
| Investments – listed companies | 31 | 27 |
| | **31** | **27** |

The Company has acquired small shareholdings in several listed electricity-sector companies. These holdings are considered long-term.

## 22 INVENTORIES

| | | |
|---|---|---|
| Network spare parts | 8 | 8 |
| Materials and stores | 2,068 | 1,666 |
| | **2,076** | **1,674** |

Inventories are stated at the lower of cost and net realisable value. Cost comprises of direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 23 PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment assets are stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Self-constructed assets include the direct cost of construction, direct labour and an allowance for overheads, to the extent that they relate to bringing the fixed assets to the location and condition for their intended service.

Depreciation is charged so as to write-off the costs of assets, other than land, and capital work in progress, on the straight-line basis. Rates used have been calculated to allocate the assets' costs less estimated residual values over their estimated remaining useful lives.

Depreciation of assets commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

**Depreciation rates and methods used are:**

| | Rate | Method |
|---|---|---|
| Land | no depreciation charged | |
| Buildings | 1% to 10% | straight line |
| Electricity network assets | 1% to 20% | straight line |
| Plant and equipment | 2% to 50% | straight line |
| Motor vehicles | 5% to 25% | straight line |
| Office equipment and fittings | 4% to 25% | straight line |
| Optical fibre network assets | 2% to 10% | straight line |
| Capital work in progress | no depreciation charged | |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 23 PROPERTY, PLANT AND EQUIPMENT - continued

| | Land $000 | Buildings $000 | Network $000 | Plant and Equipment $000 | Motor Vehicles $000 | Office Equipment $000 | Optical Fibre Network $000 | Construction in Progress $000 | Total $000 |
|---|---|---|---|---|---|---|---|---|---|
| **YEAR ENDED 30 June 2026:** | | | | | | | | | |
| Balance at beginning of year | 6,320 | 21,498 | 1,152,329 | 9,783 | 220 | 1,305 | 4,968 | 43,701 | 1,240,124 |
| Purchases | - | - | - | - | - | - | - | 91,129 | 91,129 |
| Transfers | 188 | 14,610 | 90,576 | 589 | - | 32 | 296 | (106,291) | - |
| Disposals | - | - | (1,773) | (2) | - | - | - | - | (1,775) |
| **Total cost** | **6,508** | **36,108** | **1,241,132** | **10,370** | **220** | **1,337** | **5,264** | **28,539** | **1,329,478** |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at beginning of year | - | 4,057 | 301,989 | 6,273 | 177 | 602 | 2,149 | - | 315,247 |
| Depreciation | - | 548 | 27,484 | 867 | 11 | 106 | 144 | - | 29,160 |
| Transfers | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | (8) | (2) | - | - | - | - | (10) |
| Total accumulated depreciation | - | 4,605 | 329,465 | 7,138 | 188 | 708 | 2,293 | - | 344,397 |
| **Balance at end of year** | **6,508** | **31,503** | **911,667** | **3,232** | **32** | **629** | **2,971** | **28,539** | **985,081** |

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 23 PROPERTY, PLANT AND EQUIPMENT - continued

| | Land $000 | Buildings $000 | Network $000 | Plant and Equipment $000 | Motor Vehicles $000 | Office Equipment $000 | Optical Fibre Network $000 | Construction in Progress $000 | Total $000 |
|---|---|---|---|---|---|---|---|---|---|
| **YEAR ENDED 30 June 2025 :** | | | | | | | | | |
| Balance at beginning of year | 6,092 | 21,433 | 1,059,209 | 9,234 | 220 | 1,180 | 4,968 | 44,657 | 1,146,993 |
| Purchases | - | - | - | - | - | - | - | 96,311 | 96,311 |
| Transfers | 228 | 65 | 96,300 | 549 | - | 125 | - | (97,267) | - |
| Disposals | - | - | (3,180) | - | - | - | - | - | (3,180) |
| **Total cost** | **6,320** | **21,498** | **1,152,329** | **9,783** | **220** | **1,305** | **4,968** | **43,701** | **1,240,124** |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at beginning of year | - | 3,682 | 277,626 | 5,407 | 166 | 501 | 2,009 | - | 289,391 |
| Depreciation | - | 375 | 25,900 | 866 | 11 | 101 | 140 | - | 27,393 |
| Transfers | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | (1,537) | - | - | - | - | - | (1,537) |
| Total accumulated depreciation | - | 4,057 | 301,989 | 6,273 | 177 | 602 | 2,149 | - | 315,247 |
| **Balance at end of year** | **6,320** | **17,441** | **850,340** | **3,510** | **43** | **703** | **2,819** | **43,701** | **924,877** |

Property, plant and equipment assets of $956.542 million (2025: $881.176 million) are the subject of a debenture held as security for DCTL borrowings on behalf of the DCC consolidated group.





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 23 PROPERTY, PLANT AND EQUIPMENT - continued

The carrying amounts of the Company's property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If such impairment exists, the recoverable amount of assets is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of an asset's net selling price and value in use. An impairment loss is recognised whenever the carrying amount of assets exceeds its recoverable amount. Impairment losses are recognised in the statement of profit and loss.

In assessing the recoverable amount of the Company's electricity network related assets, the Directors have reviewed the results of impairment testing undertaken by management as at 30 June 2026. The impairment testing was performed on a "no growth" basis in accordance with NZ IAS 36 Impairment of Assets.

The impairment testing used the discounted cashflow (DCF) methodology to arrive at an estimated valuation range based on Free Cash Flows (FCF) for a 10-year period from 1 July 2026. The key assumptions utilised in the impairment testing were that:

- For the 10 years from 1 July 2026, the network revenue forecasts are derived from the Commerce Commission approved Default Price-Quality Path (DPP4) allowances for Aurora Energy and Building Blocks Allowable Revenue (BBAR) forecasts.
- Operating and capital expenditure forecasts were derived from the 10-year expenditure forecasts included in the Company's 2026 Asset Management Plan Update.
- In applying the DCF methodology the Company considered a range of discount rates from 5.84% to 6.84%. The discount rate is a matter of professional judgement.
- In determining the discount rate for year-end impairment testing, the 10-year Government bond rate at valuation date was used as a basis for the risk-free rate. The risk-free rate was used in conjunction with a view of an appropriate post-tax market risk premium.
- The discount rates used in the impairment testing were based on the same level of asset beta and similar level of leverage as set by the Commerce Commission for the 5-year regulatory period from 1 April 2025.

Sensitivity analysis showed a 0.25% decrease/(increase) in the DCF discount rate used for impairment testing would increase/(decrease) the indicative value range by about $23 million.

On reviewing the DCF analysis the Directors assessed that there was no impairment to the carrying value of the network assets as at 30 June 2026.

The value of the assets is fundamentally linked to the Company's ability to operate within the future expenditure allowances approved by the Commerce Commission.

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 24 INTANGIBLES

Software is amortised on a straight-line basis over its estimated useful life – a maximum period of four years.

**YEAR ENDED 30 JUNE 2026**

| | Software $000 | Work in Progress $000 | Total Cost $000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at beginning of year | 10,890 | 113 | 11,003 |
| Purchases | - | 538 | 538 |
| Transfers | 152 | (152) | - |
| **Total cost** | **11,042** | **499** | **11,541** |
| **Accumulated amortisation** | | | |
| Balance at beginning of year | 8,094 | - | 8,094 |
| Amortisation | 2,678 | - | 2,678 |
| **Total amortisation** | **10,772** | **-** | **10,772** |
| **Closing balance** | **270** | **499** | **769** |





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 24 INTANGIBLES - continued

**YEAR ENDED 30 JUNE 2025**

| | Software $000 | Work in Progress $000 | Total Cost $000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at beginning of year | 9,601 | 734 | 10,335 |
| Purchases | - | 689 | 689 |
| Transfers | 1,310 | (1,310) | - |
| Purchases | (21) | - | (21) |
| **Total cost** | **10,890** | **113** | **11,003** |
| **Accumulated amortisation** | | | |
| Balance at beginning of year | 5,683 | - | 5,683 |
| Amortisation | 2,432 | - | 2,432 |
| Disposals | (21) | - | (21) |
| **Total amortisation** | **8,094** | **-** | **8,094** |
| **Closing balance** | **2,796** | **113** | **2,909** |

Software assets of $0.270 million (2025: $2.796 million) are the subject of a debenture held as security for DCTL borrowings on behalf of the DCC consolidated group.

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 25 CAPITAL COMMITMENTS

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Expenditure contracted for at balance date but not provided for in the financial statements | 40,248 | 30,010 |
| | **40,248** | **30,010** |

The Company is party to four field services agreement (FSA) contracts. The value of total committed expenditure under these contracts is $40 million for the 31 March 2027 and 31 March 2028 regulatory years. The current FSA contracts include network operational expenditure and do not specify the minimum capital expenditure per annum.

## 26 CASH FLOWS

### 26.1 Reconciliation of net profit for the year to cash flows from operating activities

| | | |
|---|---|---|
| Net profit for the year | 35,364 | 24,305 |
| *Items not involving cash flows* | | |
| Depreciation and amortisation | 32,846 | 30,851 |
| Increase/(decrease) in deferred tax | 10,521 | 7,515 |
| Non-cash component of finance costs | (1,286) | (1,333) |
| Non-cash component of investing activities | (4) | (3) |
| *Impact of changes in working capital items* | | |
| (Increase)/decrease in trade and other receivables | (4,554) | (2,889) |
| Increase/(decrease) in trade and other payables | (8) | 1,108 |
| Increase/(decrease) in provision for tax | 1,058 | (427) |
| Increase/(decrease) in contract liabilities | 1,743 | (330) |
| (Increase)/decrease in other current assets | - | 466 |
| (Increase)/decrease in inventories | (402) | 395 |
| Increase/(decrease) in other liabilities | 336 | 766 |
| *Items classified as investing or financing activities* | | |
| Capital creditors in accounts payable | 1,232 | (1,903) |
| Net (gain)/loss on sale of property, plant and equipment | 2,660 | 2,133 |
| **Net cash inflows/(outflows) from operating activities** | **79,506** | **60,654** |





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 26 CASH FLOWS - continued

### 26.2 Reconciliation of changes in liabilities arising from financial activities

| | 30 June 2025 $000 | Cashflows $000 | Non-cash Movement $000 | 30 June 2026 $000 |
|---|---|---|---|---|
| Long term borrowings | 573,080 | 14,785 | - | 587,865 |
| Short term borrowings | 2,270 | - | 218 | 2,488 |
| Lease liabilities | 2,706 | (1,118) | 515 | 2,103 |
| **Total liabilities from financing activities** | **578,056** | **13,667** | **733** | **592,456** |

| | 30 June 2024 $000 | Cashflows $000 | Non-cash Movement $000 | 30 June 2025 $000 |
|---|---|---|---|---|
| Long term borrowings | 538,525 | 34,555 | - | 573,080 |
| Short term borrowings | 1,518 | - | 752 | 2,270 |
| Lease liabilities | 2,803 | (1,131) | 1,034 | 2,706 |
| **Total liabilities from financing activities** | **542,846** | **33,424** | **1,786** | **578,056** |

## 27 RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

### Transactions with Dunedin City Council

The Company undertakes transactions with Dunedin City Council and other Dunedin City Council controlled entities. During the period, the Company provided services and traded with Dunedin City Council Group in respect of the following transactions:

| YEAR ENDED 30 JUNE | 2026 $000 | 2025 $000 |
|---|---|---|
| **Purchases of goods and services from Dunedin City Council:** | | |
| Rates and property leases | 1,638 | 1,530 |
| Capital Work/other | 7 | 32 |
| | **1,645** | **1,562** |

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 27 RELATED PARTY TRANSACTIONS - continued

| YEAR ENDED 30 JUNE | 2026 $000 | 2025 $000 |
|---|---|---|
| **Purchases of goods and services from other Dunedin City Council Group entities:** | | |
| Capital work | 34,383 | 35,749 |
| Network management and operation | 18,456 | 17,343 |
| Interest/facility fees | 23,323 | 23,758 |
| Contracting services | 276 | 246 |
| Lease of meters | 98 | 104 |
| Rent | 630 | 604 |
| | **77,166** | **77,804** |
| **At period end the amounts payable by Aurora Energy Limited to Group entities:** | | |
| Dunedin City Council Group entities | 596,940 | 583,573 |
| **Sales of services to Dunedin City Council Group entities:** | | |
| Rent | 284 | 176 |
| Sales of stock & other | 599 | 417 |
| Tax compensation | 750 | 217 |
| Customer contributions | 912 | - |
| Consulting & sundry services | 11 | 5 |
| | **2,556** | **815** |
| **At period end the amounts receivable by Aurora Energy Limited from Group entities:** | | |
| Dunedin City Council | - | - |
| Other Dunedin City Council Group entities | 1,028 | 279 |





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 27 RELATED PARTY TRANSACTIONS - continued

| YEAR ENDED 30 JUNE | 2026 $000 | 2025 $000 |
|---|---|---|
| **Intragroup transfers from Dunedin City Council Group entities:** | | |
| Tax compensation receipts from Consolidated Group members: | | |
| Delta Utility Services Limited | 528 | 523 |
| **Intragroup transfers to Dunedin City Council Group entities:** | | |
| Tax compensation payments to Consolidated Group members: | | |
| Delta Utility Services Limited | 626 | 573 |
| Dunedin City Council | 368 | 409 |
| City Forests Limited | - | 9 |
| Dunedin City Holdings Limited | 673 | 573 |
| Subvention payment to Dunedin Stadium Properties Limited | 535 | 1,429 |
| | **2,202** | **2,993** |
| **Transactions with Dunedin City Treasury Limited (per Statement of cash flows and Note 17)** | | |
| Opening term borrowings | 573,080 | 538,525 |
| Proceeds from borrowings | 97,815 | 93,475 |
| Repayment of borrowings | (83,030) | (58,920) |
| | **587,865** | **573,080** |
| Current borrowings | 2,488 | 2,270 |
| | **590,353** | **575,350** |

No related party debts have been written off or forgiven during the year and no provision has been required for impairment of any receivables from related parties.

Aurora Energy Limited undertakes transactions with other related parties.

**Commitments with other Dunedin City Council Group entities:**

| | | |
|---|---|---|
| Expenditure contracted for at balance date but not provided for in the financial statements | 10,003 | 14,679 |

The Company is party to a field services agreement with Delta Utility Services Limited. The value of total committed expenditure under this contract is $24 million for each of the 31 March 2027 and 31 March 2028 regulatory years.

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 27 RELATED PARTY TRANSACTIONS - continued

**Transactions with companies in which Directors have an interest:**

Mr Thompson is a Director and Shareholder of Passmore Consulting Services Limited. During the financial period covered by this report services of $118,000 were purchased from Passmore Consulting Services Limited (2025: $99,534). No monies were outstanding on 30 June 2026 (2025: nil). Mr Thompson is a non-beneficial shareholder of McKenzie Architects Limited. During the financial period covered by this report, services of $66,945 were purchased from McKenzie Architects Limited (2025: $68,680). No monies were outstanding on 30 June 2026 (2025: $10,707)

Mrs Harvey is a Director and Shareholder of Excellence in Business Solutions Limited. During the financial period covered by this report services of $59,000 were purchased from Excellence in Business Solutions Limited (2025: $49,767). No monies were outstanding on 30 June 2026 (2025: nil). Mrs Harvey is a Director of Unison Contracting Services Limited. During the financial period covered by this report services of $11,470,888 were purchased from Unison Contracting Services Limited (2025: $13,752,989). Monies outstanding on 30 June 2026 were $1,209,932 (2025: $908,289). During the financial period covered by this report $50,269 of services were purchased from the Company by Unison Contracting Services Limited (2025: nil)

Mr Clarke is a Director and Shareholder of Matua Governance Limited. During the financial period covered by this report services of $59,000 were purchased from Matua Governance Limited (2025: $49,767). No monies were outstanding on 30 June 2026 (2025: nil). Mr Clarke is a Director of Bluecurrent Holdings NZ Limited and subsidiaries. During the financial period covered by this report, services valued at $217,353 were purchased from its subsidiary Bluecurrent NZ Limited (2025: 74,022). No monies were outstanding on 30 June 2026 (2025: 21,875).

### DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was $413,000.

### KEY MANAGEMENT PERSONNEL REMUNERATION

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Short term employment benefits | 2,537 | 2,445 |
| Post-employment benefits - employees | 103 | 100 |
| Short term benefits - Directors (as above) | 413 | 299 |
| | **3,053** | **2,844** |

During the financial period under review, key management personnel in addition to Directors were directly employed by the Company.

Total remuneration paid to the Chief Executive was $691,046. No short or long-term incentive arrangements are in place.





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 28 FINANCIAL INSTRUMENT RISK

Dunedin City Treasury Limited, which is part of the Dunedin City Holdings Group, co-ordinates access to domestic financial markets for all group members and provides advice on the management of financial instrument risks to the Company. These risks include credit risk and liquidity risk.

### CREDIT RISK

Credit risk on liquid funds and cash flow hedge instruments is limited through the counterparties being banks with high credit ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk. The exposure is spread over a large number of counterparties.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

The Company's maximum credit risk for each class of financial instrument is:

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Cash and cash equivalents | 818 | 57 |
| Trade and other receivables | 24,351 | 19,702 |
| Term investments | 31 | 27 |
| | **25,200** | **19,786** |

### CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates.

| **Counterparties with credit ratings** | | |
|---|---|---|
| **Cash and cash equivalents** | | |
| AA- | 818 | 57 |
| **Trade and other receivables** | | |
| AA | 278 | 62 |
| **Counterparties without credit ratings** | | |
| **Trade and other receivables** | | |
| Existing counterparties with no defaults in the past | 24,389 | 20,206 |
| **Investment** | | |
| Existing counterparties with no defaults in the past | 31 | 27 |

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 28 FINANCIAL INSTRUMENT RISK - continued

### LIQUIDITY RISK

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and ensures it has credit lines in place to cover potential shortfalls.

The Company maintains credit management and accounts receivable processes aimed at collecting all trade debtors and other receivable balances in cash by their agreed date(s) for payment.

The following table analyses the exposure of the Company's financial assets and liabilities to liquidity risk as at 30 June 2026.

Contractual obligations in respect of interest expense on term borrowings, have not been included in the liquidity risk table as the term debt does not have a contractual end date and the interest is currently payable on a month-by-month basis.

The Company's assets and liabilities are shown at their contractual and carrying values.

The following table analyses the exposure of the Company's financial liabilities to liquidity risk as at 30 June 2026:

| Maturity Dates | Less than 1 Month $000 | 1 to 3 Months $000 | 3 Months to 1 Year $000 | 1 to 5 Years $000 | More than 5 Years $000 | No Maturity $000 | Total $000 |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| **Financial assets measured at amortised cost** | | | | | | | |
| Cash and cash equivalents | 818 | - | - | - | - | - | 818 |
| Trade and other receivables | 24,351 | - | - | - | - | - | 24,351 |
| **Financial assets at fair value through profit and loss** | | | | | | | |
| Long term investments | - | - | - | - | - | 31 | 31 |
| | **25,169** | **-** | **-** | **-** | **-** | **31** | **25,200** |
| **Financial liabilities** | | | | | | | |
| **Financial liabilities measured at amortised cost** | | | | | | | |
| Trade and other payables | 20,198 | - | - | - | - | - | 20,198 |
| Borrowings | 2,488 | - | - | - | - | 587,865 | 590,353 |
| | **22,686** | **-** | **-** | **-** | **-** | **587,865** | **610,551** |





# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 28 FINANCIAL INSTRUMENT RISK - continued

The following table analyses the exposure of the Company's financial liabilities to liquidity risk as at 30 June 2025:

| Maturity Dates | Less than 1 Month $000 | 1 to 3 Months $000 | 3 Months to 1 Year $000 | 1 to 5 Years $000 | More than 5 Years $000 | No Maturity $000 | Total $000 |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| **Financial assets measured at amortised cost** | | | | | | | |
| Cash and cash equivalents | 57 | - | - | - | - | - | 57 |
| Trade and other receivables | 19,702 | - | - | - | - | - | 19,702 |
| **Financial assets at fair value through profit and loss** | | | | | | | |
| Long term investments | - | - | - | - | - | 27 | 27 |
| | **19,759** | **-** | **-** | **-** | **-** | **27** | **19,786** |
| **Financial liabilities** | | | | | | | |
| **Financial liabilities measured at amortised cost** | | | | | | | |
| Trade and other payables | 20,206 | - | - | - | - | - | 20,206 |
| Borrowings | 2,270 | - | - | - | - | 573,080 | 575,350 |
| | **22,476** | **-** | **-** | **-** | **-** | **573,080** | **595,556** |

# Notes to the financial statements (cont.)

**FOR THE YEAR ENDED 30 JUNE 2026**

## 28 FINANCIAL INSTRUMENT RISK - continued

### SENSITIVITY ANALYSIS

The table below illustrates the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on the Company's financial instrument exposures at the balance date.

Based on historic movements and volatilities, market interest rate movements of plus or minus 1% (100bps) have been used in this analysis.

| | Carrying amount at Balance Date | +100BPS | | -100BPS | |
|---|---|---|---|---|---|
| | | Profit | Equity | Profit | Equity |
| | $000 | $000 | $000 | $000 | $000 |
| **Financial liabilities** | | | | | |
| Borrowings (unhedged) | 587,865 | (5,879) | - | 5,879 | - |

## 29 SEGMENT REPORTING

Aurora Energy Limited operates in the electricity distribution sector in the Otago geographical area of New Zealand.

## 30 CAPITAL MANAGEMENT STRATEGY

The capital of the Company is its equity, which is comprised of subscribed capital and retained earnings and cash flow hedge reserves. Equity is represented by net assets. The Company manages its capital to ensure that it will be able to continue to operate as a going concern and optimises the balance of debt to equity on a prudent basis in consultation with its Shareholder.

The Directors of the Company perform regular reviews of its operating strategies, and financial performance and include in these reviews any strategies required to protect the capital of the Company. The Directors seek to maximise overall returns to the Shareholder of the Company in the medium term, and to maintain the Company's financial strength.

The Company is required to provide to its Shareholder an annual Statement of Intent. This Statement of Intent includes information on planned distributions by way of dividend for the following three years.

## 31 CONTINGENT LIABILITIES

There were no known material contingent liabilities at balance date.

## 32 CHANGE IN ACCOUNTING POLICY

There were no accounting policy changes in the year ended 30 June 2026.

## 33 EVENTS AFTER BALANCE DATE

There were no significant post balance date events.

# Independent Auditor's Report

The Audit Office
Te Mana Arotake

**Independent Auditor's Report**

**To the readers of Aurora Energy Limited's financial statements and statement of service performance for the year ended 30 June 2026**

## Opinion

The Auditor-General is the auditor of Aurora Energy Limited (the company). The Auditor-General has appointed me, Chantelle Gernetzky, using the staff and resources of The Audit Office, to carry out the audit of the financial statements and the statement of service performance of the company on his behalf.

We have audited:

- the financial statements of the company on pages 52 to 88, that comprise the statement of financial position as at 30 June 2026, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include material accounting policy information and other explanatory information; and
- the statement of service performance of the company on pages 34 to 41.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2026; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the statement of service performance of the company:
  - accurately reports, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2026; and
  - has been prepared, in all material respects, in accordance with section 44 of the Energy Companies Act 1992 (the Act).

Our audit was completed on 17 September 2026. This is the date at which our opinion is expressed.





# Independent Auditor's Report (cont.)

## Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the company for preparing statement of service performance in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Act.

## Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the

# Independent Auditor's Report (cont.)

aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and statement of service performance.

For the financial and non-financial performance targets reported in the statement of service performance, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We evaluate the overall presentation, structure and content of the statement of service performance, including the disclosures, and assess whether the statement of service performance achieves its statutory purpose of enabling the company's readers to judge the actual performance of the company against the performance targets adopted in its statement of intent.





# Independent Auditor's Report (cont.)

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the company in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit and the assurance engagements disclosed in note 5 to the financial statements, we have no relationship with, or interests in, the company.

Chantelle Gernetzky
The Audit Office
On behalf of the Auditor-General
Christchurch, New Zealand

# COMPANY DIRECTORY

As at 30 June 2026

## Directors

Stephen R Thompson (Chair)
Simon J Clarke
Janice E Fredric
Wendie N Harvey
Stephen P Lewis
Ken I Sutherland

## Management

**Chief Executive**
Richard Fletcher

**Chief Financial Officer**
Gary Dixon

**General Manager People, Culture and Safety**
Candice Maree

**General Manager Customer and Commercial Services**
Mark Pratt

**General Manager Digital Transformation**
Tracey Saunders

**General Manager Future Network and Operations**
Matt Settle

**General Manager Service Delivery**
Richard Starkey

## Registered office

10 Halsey Street
Dunedin
New Zealand

## Banker

Westpac Banking Corporation

## Solicitor

Gallaway Cook Allan

## Auditor

The Audit Office on behalf of the Controller and Auditor-General

## Taxation advisor

Deloitte

City Forests
ANNUAL REPORT
2026

# QUICK FACTS

## Community owned, city asset

City Forests is owned by the City of Dunedin, Ōtepoti and includes more than 25,000ha of productive forests, with around 9 million trees.

City Forests estate include over 87km of community access, walking and mountain bike tracks, as well as several significant heritage and archaeological sites. City Forests contributes to the economy of the city through the Dunedin City Council holding company, Dunedin City Holdings Ltd.

## Profitable, long-term business

Established in 1906, City Forests has contributed to the Dunedin economy for over 110 years and has returned $137.2m to the city in dividends since 1990.

The forestry and wood industry is New Zealand's fourth largest export industry, contributing significantly to our economy and making up over 8.7% of New Zealand's export earnings.

## Sustainable forests, supporting the environment

Forestry and the production of wood helps mitigate global climate change. There is approximately 8.2M tonnes of $CO^2$-e stored in City Forests.

City Forests has designated over 2,435ha of land as permanent reserve sites, these sites include native forest plantations, wetlands and significant water catchments for rare native fish species. City Forests estate are home to a wide range of native bird life and support research projects on the New Zealand Falcon (Kārearea) and Bush Robin (Kakaruai).

City Forests

www.cityforests.co.nz

**$0.71M**
in **Dividends**
for the year ended 30 June 2026

**$7.0M**
**Special Dividend**

**85**
STAFF & CONTRACTORS EMPLOYED

**23,290 m3**
OF BIOENERGY SUPPLIED

**87km**
of community access
**WALKING & MOUNTAIN BIKE** tracks

**8.2m TONNES**
$CO_2e$ stored by City Forests

**$50K**
WILDLING PINE **CONTROL**

**25,220 ha**
of **LAND UNDER MANAGEMENT**

**$115K**
**SPONSORSHIPS**
including:
- Orokonui Eco-Sanctuary
- Predator Free Dunedin
- Dunedin Wildlife Hospital

**1,078,800**
**NEW TREES PLANTED 2025-2026**

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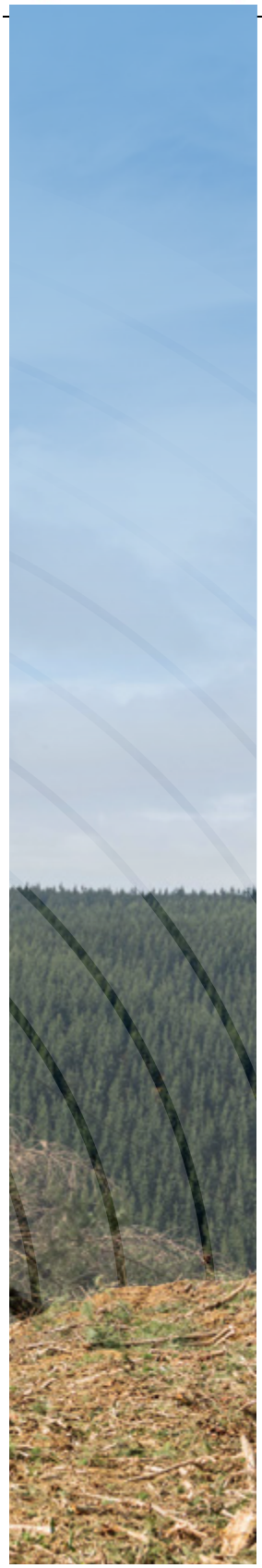
# COMPANY PARTICULARS

## AS AT 30 JUNE 2026



## DIRECTORS

**S A Mason** – F.C.A., C.F.Inst.D, B Com., B.A., cBA., DipGradBus (Disp Res), A.A.M.I.N.Z.,
(Reappointed 1.10.25 – Appointed Chairman 1.9.22)

**K A Posa** – BMS(Hons), C.A., G.A.I.C.D., CM.Inst.D.
(Reappointed 1.10.23)

**P R Melhopt** – M.Inst.D., B.Com. (Forestry)
(Reappointed 1.10.24)

**K E Bromfield** – PhD, CM.Inst.D.,
(Reappointed 1.9.24)

## CHIEF EXECUTIVE OFFICER

**Grant Dodson** – B.For.Sci, RFP.N.Z.I.F., M.Inst.D..

## REGISTERED OFFICE

123 Crawford Street
Dunedin 9016,
New Zealand

## BANKERS

Westpac Banking Corporation

## SOLICITORS

Gallaway Cook Allan

## TAX ADVISORS

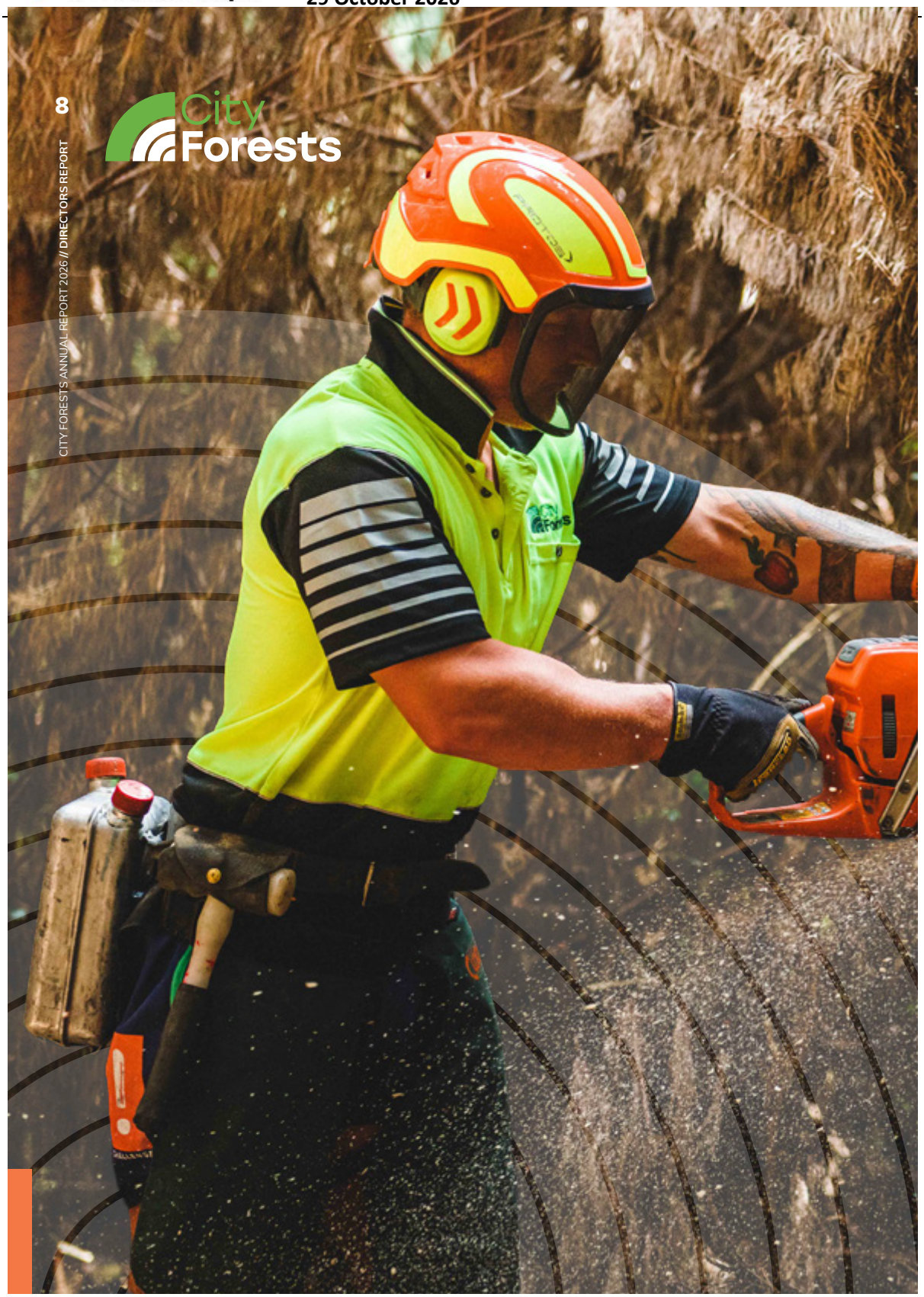
Deloitte Limited

## AUDITOR

The Audit Office on behalf of the Controller and Auditor-General

## SHAREHOLDER

Dunedin City Holdings Limited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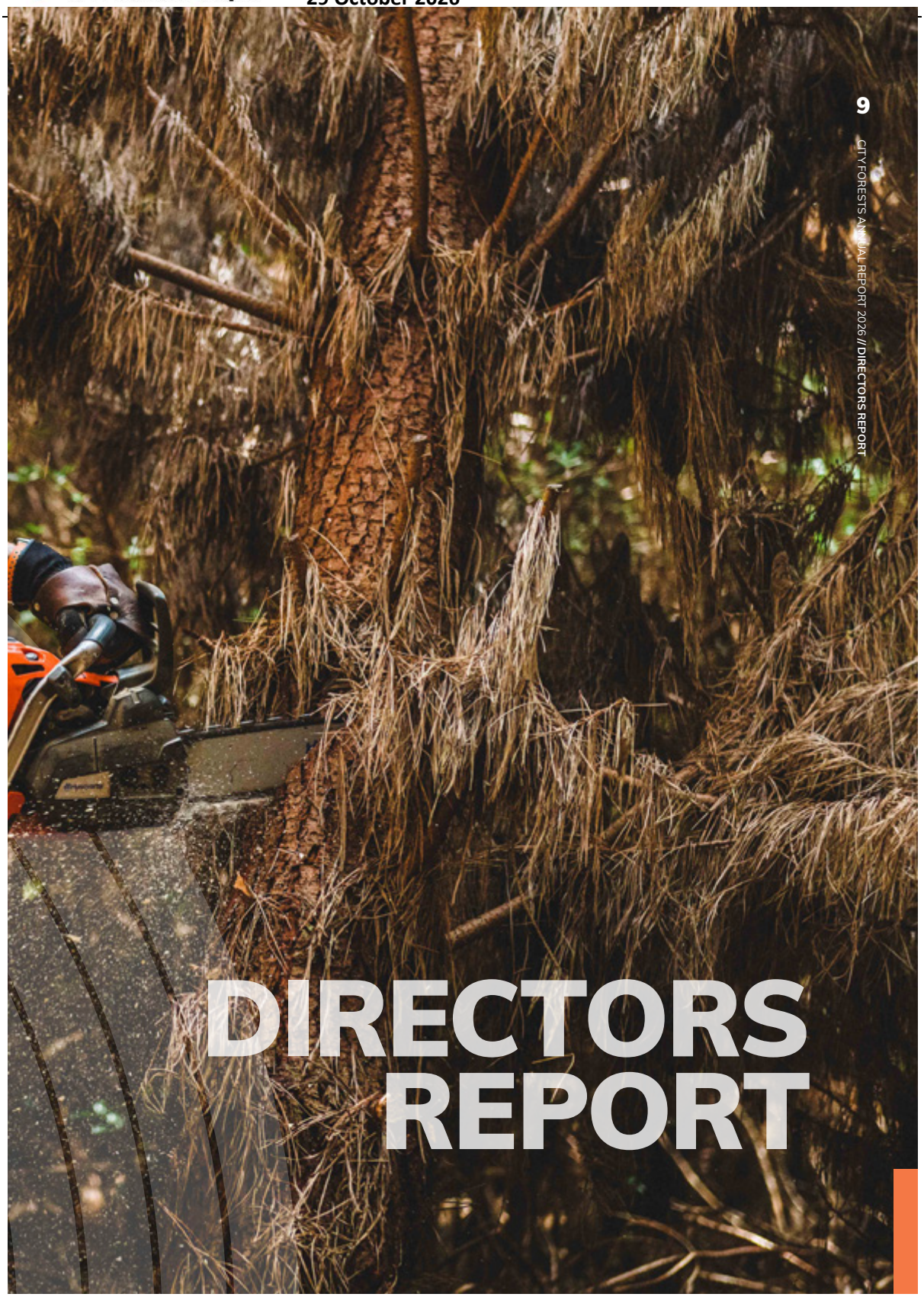



# DIRECTORS REPORT

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2026

The Directors of City Forests Limited are pleased to present their report on the activities of the Company for the year ended 30 June 2026.

## Principal Activities of the Company

This report covers the financial year 1 July 2025 to 30 June 2026.

The principal commercial activities of the Company are the growing, harvesting and marketing of forest products from plantations it owns. The products are sold both in the domestic and export markets.

## Results for the Year Ended 30 June 2026

| | $'000 |
|---|---|
| Operating Surplus before Income Tax | (3,161) |
| Less Income Tax | ( 915) |
| **Net Surplus for the Year** | (2,245) |

## State of Affairs

The Directors are pleased with the operational results achieved by the Company during the year, having regard to the unsettled international operating environment, increasing costs, generally slow Asian and domestic log markets, and the forest estate wind damage event that occurred in October 2025. Despite these risk factors, the Company has completed its operational and marketing activities, achieving production results ahead of plan, and Directors consider that the state of affairs of the Company remains satisfactory.

## Dividends

The Directors declared and paid a total of $7,710,400 unimputed dividends during the year, made up of:

- a special dividend of $3,500,000 in December 2025
- an additional ordinary dividend of $710,400 in December 2025, and
- a special dividend of $3,500,000 in June 2026.

## Donations

There have been $13,360 of donations made during the year.

## Reserves

The following net transfers have been made to or from reserves:

| | $'000 |
|---|---|
| From Forestry Reserve | (7,077) |
| To Retained Earnings | 3,890 |
| From Hedging Reserve | (3,178) |
| From Land Revaluation Reserve | (10,581) |
| From Carbon Credit Reserve | (9,516) |

## Review of Operations

This review of operations and the accompanying financial reports cover the 1 July 2025 to 30 June 2026 financial year.

Directors report a below plan net financial performance for City Forests during the year, recording a net loss after tax of -$2.245m vs. $5.775m plan. The financial performance from forest operations delivered a cash flow positive result, however, reductions in non-cash forest crop and land valuations impaired the final net after tax result.

The impact of the October 2025 wind event, that damaged approximately 4% of the productive forest area, combined with increased operating costs arising from the Iran war fuel crisis, were the defining factors that drove variance to plan.

Unimputed dividends of $7.710m were paid, comprising ordinary dividends of $0.710m and a special dividend of $7m.

A summary of health and safety, environmental, community, markets, and operational factors contributing to the result is detailed below.

**Health and Safety:** The Board and Management of the Company are committed to achieving best practice health and safety performance. The Company recorded a Lost Time Injury Frequency (LTIF) of 12.4 lost time injuries per 1 million hours worked (LTIF 5.9 previous year). There were two lost time injuries during the year, of which one was minor, and the other was moderate and the worker has fully recovered.

The company was pleased to achieve a significant work programme of higher risk wind damaged log harvest using mechanised operations in challenging operating conditions without serious incident or injury.

Significant resources are allocated to managing and improving governance and oversight of health and safety risks in accordance with the annual plan. Health and safety plan system improvements in the areas of PCBU responsibility, critical risk controls and verification were the focus during the year. The Company continues to maintain a strong safety culture demonstrated by external certification of contract operations, internal and external verification of safety compliance supported by driver training programmes, and a commitment to a drug and alcohol impairment free workplace.

**Environmental:** The Company continues to demonstrate its commitment to responsible and sustainable management of its forest estate and has held uninterrupted Forest Stewardship Council (FSC) certification since 2000. In 2025, full re-certification to the updated FSC standard was achieved.

The forest estate, both exotic and indigenous areas, including underlying land, is managed on a long-term sustainable basis. Maintaining estate resilience to extreme weather events, including reducing the risk of land and slash movement occurring both within the estate and impacting estate boundaries, as well as achieving high water quality outcomes remains a primary focus. Attention is also given to supporting rare, threatened and endangered species such as Kārearea (New Zealand Falcon), Toutouwai/NZ Robin and Galaxiids (New Zealand native and endemic fish) within the forest estate. The Company also supports Hoiho (Yellow Eyed Penguin) through support of both the Yellow Eyed Penguin Trust and Dunedin Wildlife Hospital, and native species generally via ongoing support of Orokonui Ecosanctuary and Predator Free Dunedin.

The Company has an emissions and waste reduction plan and contributes to the wider Dunedin City carbon neutral goal through bio-energy supplies and afforestation. The Company is a long-term participant in the New Zealand Emissions Trading Scheme which enables the Company to be financially rewarded for carbon sequestration.

The Company continues to be a leader in using residue wood for bio-energy supplies in the Otago and Clutha districts, and multiple energy sites across these districts are now powered by renewable wood energy sourced from the Company's residual forest products.

**Community**: The Company makes its forest estate available for community recreation, which incorporates open access areas (outside work hours), permitted access, and permitted events. Walking and mountain biking is highly popular, and the Company works with Mountain Bike Otago to establish and operate numerous cycle tracks, and manages these trails around commercial forest operations. Hunting remains the most popular permitted activity, with significant demand for hunting blocks. Organised events such as the Otago Rally and running races such as Three Peaks also occurred throughout the year.

## Log Export Markets and Returns

Log export market returns in New Zealand Dollars are a function of the combined movements of market log prices, sea freight costs, and the NZD/USD exchange rate. These items are discussed separately below.

**Market Conditions:** The year has seen ongoing geo-political disruption resulting in upset trading conditions. The introduction of tariffs and increasing international conflict has indirectly reduced market confidence and impacted energy supplies and prices.

Accordingly, demand from the Company's primary South Korean and Chinese export log markets has been modest whilst supply chain costs to service these markets have increased. These primary markets were supplied with regular bulk shipments. Smaller volume containerised shipments were made to South Korea, Vietnam, Thailand and Indonesia.

A recent positive development has been the rapid expansion of the New Zealand - India log trade arising from the signing of free trade agreements during the year. The Company will complete its first India shipment early in the 2026-2027 financial year. The addition of India as a significant log export market for New Zealand has been sufficient to increase overall demand and early indications suggest this is working to achieve increased prices across all markets.

*Figure 1: Source AgriHQ: Wharf Gate Export A-Grade Log Prices*

**Export Sea Freight**: The cost per JAS cubic metre paid for international shipping to Asian markets decreased during the first half of the year then increased sharply following the outbreak of the Iran War and associated increases in fuel costs. These cost movements were only partly moderated by movements in log price and had an impact on NZD wharf gate returns.

*Figure 2: Source AgriHQ: International Shipping Costs*

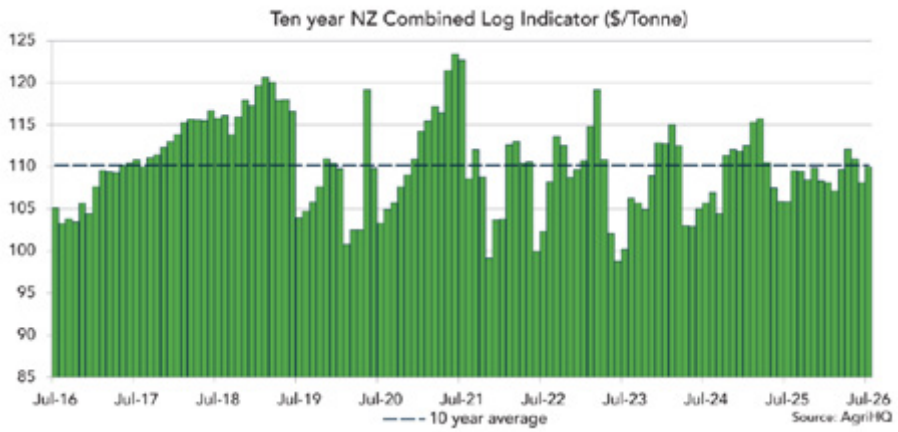


*Figure 3: Source AgriHQ: New Zealand Industry Long Run Average Log Prices*

**New Zealand Dollar Exchange Rate:** The value of the New Zealand Dollar compared to the United States Dollar traded across the 0.56c – 0.61c range during the year.

The combined movements of in-market export log prices, shipping costs, and the value of New Zealand Dollar delivered a period of less volatile log export returns, compared to the last 10 years for New Zealand forest owners as detailed on the chart below.

## Foreign Exchange Hedging

The Company receives revenue from export log sales in United States Dollars. These are converted to New Zealand Dollars and the applicable exchange rate impacts the Company's net New Zealand Dollar returns. The Company hedges a portion of its foreign exchange risk, and the remainder of USD receipts are converted at spot rates.

Foreign exchange risk is managed by a United States Dollar hedging portfolio administered on City Forests Limited's behalf by Dunedin City Treasury Limited. The transactions and hedging portfolio are managed in accordance with the Company's Foreign Exchange Policy that is endorsed by the shareholder. The Company was compliant with its foreign exchange policy throughout the year.

## Domestic Log Market

The Company continues to supply domestic mills in Otago and Southland. Overall, 29% (26% previous year) of log production from the Company's forests was supplied to domestic customers. Domestic sawlog demand is constrained by domestic log processing production capacity, however, increases in bio-energy supply are being achieved.

Prices for logs supplied to domestic customers were stable during the year and were significantly less volatile than export log prices due to longer term supply agreements. Major domestic customers' log prices are agreed on a negotiated three- or six-month log pricing cycle and as such, customers are generally insulated from competing against the rapid swings in log price that can occur in the log export market.

*Figure 4: Source AgriHQ: New Zealand Industry Average Export and Domestic Prices*

## Forest Production

Measured on a sustainable cut comparative basis, which excludes additional residue log recoveries, estate production was 386,918m3 which was 8.4% above planned harvest of 356,966m3. This was primarily due to a value recovery focus following the October 2025 wind damage event. Harvest operations also recovered more low-grade residual wood for domestic supply including bioenergy.

Incorporating this additional recovery, total production from the forest estate was 409,407m3 (373,874m3 previous year).

The Company handled a total volume of 417,270m3 for the year. 7,863m3 of outside

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THE COMPANY HANDLED A TOTAL VOLUME OF 417,270m³ FOR THE YEAR

wood was traded during the year, principally to supplement log export operations and achieve shipping efficiency.

The Company suffered a damaging wind event in October 2025 as noted above. After this event harvest production was accelerated and harvest plans were amended to prioritise the recovery of damaged trees before decay and further value loss set in, and this was successfully achieved. This is the primary reason for overproduction.

Supply chain operations were impacted by increased costs arising from the Iran War fuel crisis. Sufficient fuel was available but at a higher cost. This was in addition to higher contracting costs incurred as a result of the more complicated wind damaged recovery harvesting work.

## Roading and Infrastructure

A roading network of approximately 499 km is established in the Company's estate, including 243 km of major roads providing arterial access throughout the estate. Secondary roads, minor roads, or tracks are upgraded prior to harvest and are generally kept operational for harvesting the next crop rotation.

During the period, the Company carried out an accelerated programme of road development work, upgrading access roads to forest areas impacted by wind damage to support recovery operations in addition to maintaining existing infrastructure.

## Forest Asset Operations

The Company continues to re-establish all its production areas as soon as reasonably practical following harvest. The Company is actively working to plant all available productive areas in the highest genetic quality tree stock available and to apply optimum tending regimes. This involves selecting tree stocks with the best genetic potential and applying best practice silviculture during the preparation and growth phase to optimise the production potential of each forest site. New generation tree genetics offer significant gains in tree growth and wood properties compared to the tree stocks currently being harvested.

The Company continues to review and implement the applicable latest forest industry research, funded by the Forest Growers Levy, to increase the productivity of the Company's forest estate.

The Company undertakes thinning in all its forest areas, selecting the best trees to mature to final harvest. Thinning operational trials using poison and mechanised thinning systems have been further developed during the year, partially replacing chainsaw thinning operations.

The pruning investment strategy has been reviewed, and following economic analysis, the long-term pruning programme has been reduced to match demand. In future, pruning will only be carried out on a limited portion of the estate. Due to past pruning investment, ongoing production of high-quality clear wood logs principally for domestic mills will continue for approximately 20 years. Pruning operations can be re-started in future provided economic market options are available to realise the pruning investment.

## New Land Acquisition

During the year the Company purchased 78.89 ha's of land. (nil previous year). Five divestments of house and lifestyle block subdivisions totalling 103 ha's were completed during the year.

## Carbon

The Company continues to be a participant in the Emissions Trading Scheme (ETS) and the Company's forests store a significant volume of carbon expressed as New Zealand Units (NZU's), each representing one tonne of carbon dioxide (CO2).

The Company sold 200,000 NZU's during the period in accordance with its divestment plan. The funds received from the sale of this asset were paid to the shareholder in the form of a special dividend of $7 million as noted above.

The October 2025 wind damage event impacted areas registered in the ETS. The Company has applied for a series of four ETS Temporary Adverse Event Suspension applications covering the primary wind damaged ETS areas. If approved (in full or in part) by the regulator, each application will allow the suspension of ETS carbon accounting liabilities until the affected forest areas are cleared, replanted and regrown to the carbon stock point at which the original damage occurred. These applications can only be processed once clearing is completed and for the first three applications will likely occur before the end of the coming financial year or later. Accordingly, the result of the applications remains subject to regulatory determination and as such is unresolved on 30 June 2026. They have therefore not been considered in the preparation of these financial statements in terms of their respective impact on the Company's Safe Carbon Levels as at 30 June 2026.

The Company's mandatory emissions return for the 3-year carbon accounting period to 31 December 2025, which was due for submission by 30 June 2026 cannot be filed and has been extended as it is subject to the outcome of the

ETS Temporary Adverse Event Suspension applications.

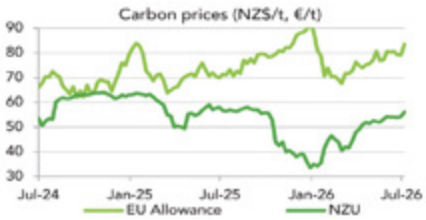



*Figure 5: Source: NZ AgriHQ NZU Price.*

The Company continues to forecast future annual carbon sequestration and emission transactions in accordance with the current rules of the New Zealand Emission Trading Scheme. The model aligns future carbon transactions with the long-term strategic harvest plan. This model determines a forecast safe (or liability free) carbon level being the number of NZU's the Company has available for sale liability free. NZU's held above this safe level effectively have no net fair value as the NZU's are subject to future surrender liabilities following harvest.

The recognition of NZU's held in the Company's registry account is defined by accounting policy. Units are held at fair value. This means that the fair value of a NZU available for sale (those identified as being within the safe-carbon level) is the market price. Carbon units that are held to be surrendered to meet future harvest liabilities (those defined as being above the safe-carbon level) are initially recognised and subsequently valued at nil.

Given that the outcome of the ETS Temporary Adverse Event Suspension applications will likely impact the recognition of harvest liabilities from the clearing of wind damaged ETS areas, the success or otherwise of the applications is a factor in determining the number of NZU's available for sale (i.e. the safe carbon level which in accordance with accounting policy is an asset held at fair value) in the future. As noted above, the balance sheet value of the carbon asset at 30 June 2026 does not take into account any impact that may arise from the applications being successful. This is further detailed in the notes to the accounts.

## Greenhouse Gas Emissions Reporting

City Forests is supporting New Zealand's goal to be Net Zero by 2050. The Company plays a role to enable key elements of the Net Zero goal. However, it is important to note that in the calculation of net emissions for accounting purposes, the sequestration of carbon arising from commercial forest operations is excluded (being part of the ETS) and therefore, despite its forestry activity, the Company reports net emissions.

The Company is committed to reducing its Gross Scope 1 and Scope 2 emissions in accordance with its plan (excluding insets from native forest carbon sequestration).

Scope 1 (direct) emissions are generated only from Company staff fleet vehicles. Scope 2 (indirect) emissions are essentially office electricity. Of this, staff fleet cars represent 97.5% of total Scope 1 and 2 emissions, and therefore there is a specific focus on reducing emissions from these vehicles as they are renewed over time. The Company has a plan to adopt the use of low emission vehicle technology as effective options become available and by doing so the Company is expected to achieve gross emissions reduction for Scope 1 and 2.

On-shore Scope 3 emissions are indirect emissions from the Company's key supply chain providers, being in-forest contractor fuels and freight (road transport). Scope 3 emissions also include waste from operations, which are within the Company's control. The Company plans to continue to reduce waste and to adopt technology enabling reductions in Scope 3 emissions once commercially available and economically viable.

Notwithstanding this, the Company also has a strategy of insetting carbon emissions by way of establishing and maintaining native and riparian plantings in otherwise non-productive land areas owned or managed by the Company. These areas are specifically excluded from the ETS and can be counted against our gross emissions.

The Company has no strong view as to the mid- to long-term opportunities to reduce emissions from international shipping, which dominate our Scope 3 emissions calculations (shown below as Offshore Scope 3 Emissions), other than exploring options for greater onshore log sales.

The Company continues to work towards its Carbon Emissions and Waste Reduction plan that is consistent with the plan established for the Dunedin City Council group. In addition, the Company's actions of afforestation and the provision of wood fuel for bioenergy contribute to the wider Dunedin City zero carbon goal.

In July 2026, based on updated emissions modelling showing the 2030 net zero target was highly unlikely to be achieved, the Dunedin City Council resolved to adopt a new target, with a short-term gross emissions reduction target (emissions before carbon dioxide absorbed by trees is considered), and a longer term net zero target. The Council will decide on the specifics of a new city-wide emissions target later in 2026.

## Emissions Reporting Processes

Progress against the Carbon Emissions Reduction plan is measured by estimating Company Greenhouse Gas (GHG) emissions. The planning and estimation process has been completed with the assistance of Opportune Consulting and in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2006) and ISO 14064-1:2006 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

The Company has measured its Scope 1, 2 and 3 emissions on the following basis:

**Scope 1 emissions are direct emissions that are operationally controlled by City Forests, including:**

- Petrol / diesel used in Company vehicles.
- Sequestration and emissions from Forestry. Note this includes native reserve areas but excludes commercial plantations that are registered in the New Zealand Emissions Trading Scheme and are accounted for under the rules of that scheme.
- Fertiliser use.

**Scope 2 emissions are indirect GHG emissions from imported energy, including:**

- Purchased electricity that is consumed at operational sites.

**Scope 3 emissions are the most significant source of emissions and reflect that all forest operational and supply chain activities, which incorporate the heavy industry component of the operational business supply chain, are contracted.**

- The Scope 3 emissions measured were chosen to ensure alignment across the Dunedin City Holdings Limited (DCHL) group of companies. It was agreed that the companies would report on a minimum set of Scope 3 emissions which are waste, freight and travel.

**In addition, expansion of Scope 3 emissions reporting is to include the activity of the Company's contractors, including:**

- Business travel (pertaining to the Company business, primarily flights and accommodation).
- Waste generated to landfill from our operations.
- Contract Operations including: land management, forest establishment and silviculture, roading and harvesting, log transport, port operations and international shipping.

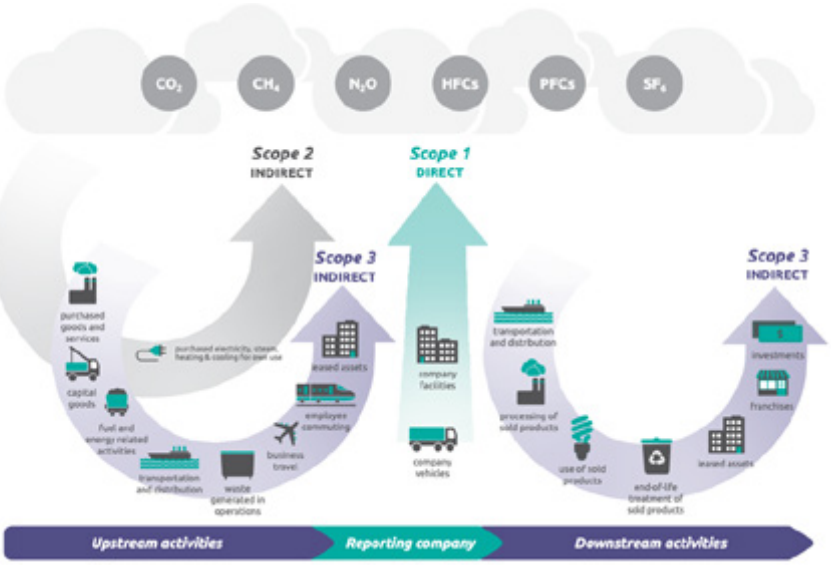



Figure 6: Source: GHG Protocol - Figure 1.1 of Scope 3 Standard

## Results

Emissions are reported as tonnes (t) of Carbon Dioxide (CO2) equivalent (e); or tCO2-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

## Emissions by Scope

City Forests estimated gross GHG emissions for the year ended 30 June 2026 are 24,317 tCO2-e, with sequestration from insetting (native reserve areas) of 4,929 tCO2-e, resulting in net emissions of 19,388 tCO2-e.

Note; As described above, commercial forest ETS carbon sequestration and ETS emissions (arising from harvesting) are excluded. The Company's primary source of emissions is Scope 3 emissions relating to contract supply chain operations, both on-shore and off-shore.

The standard emissions model was utilised as provided by Opportune Consulting to estimate emissions for the financial year. The model uses standardised emission factors by activity and fossil fuel energy source and as such provides an estimate of Company emissions. It should not be read as a precise calculation of Company emissions.

*Table 1: Emissions by Scope by year*

| | 2021 | 2021 | 2022 | 2022 | 2023 | 2023 | 2024 | 2024 | 2025 | 2025 | 2026 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Emissions** | **t CO²-e** | **%** | **t CO²-e** | **%** | **t CO²-e** | **%** | **t CO²-e** | **%** | **t CO²-e** | **%** | **t CO²-e** | **%** |
| Scope 1 | 112 | 0.5% | 103.9 | 0.5% | 110 | 0.5% | 117 | 0.6% | 116.6 | 0.6% | 114 | 0.6% |
| Scope 2 | 3 | 0.0% | 3 | 0.0% | 3 | 0.0% | 2 | 0.0% | 3 | 0.0% | 2 | 0.0% |
| Scope 3 | 27,289 | 121.4% | 24,129 | 125.0% | 25,303 | 123.5% | 24,777 | 124.1% | 24,289 | 124.7% | 24,200 | 124.8% |
| **Total Gross** | **27,404** | **121.9%** | **24,235.9** | **125.5%** | **25,418** | **124.1%** | **24,897** | **124.7%** | **24,409** | **125.3%** | **24,317** | **125.4%** |
| Forestry Inset | -4,929 | -21.9% | -4,929.4 | -25.5% | -4,929 | -24.1% | -4,929 | -24.7% | -4,929 | -25.3% | -4,929 | -25.4% |
| **Total Net** | **22,475** | **100.0%** | **19,306.5** | **100.0%** | **20,489** | **100.0%** | **19,968** | **100.0%** | **19,480** | **100.0%** | **19,388** | **100.0%** |

*Table 2: Scope 3 emissions on-shore and off-shore*

| | 2021 | 2021 | 2022 | 2022 | 2023 | 2023 | 2024 | 2024 | 2025 | 2025 | 2026 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Scope 3 Emissions** | **t CO²-e** | **%** | **t CO²-e** | **%** | **t CO²-e** | **%** | **t CO²-e** | **%** | **t CO²-e** | **%** | **t CO²-e** | **%** |
| Scope 3 Onshore | 8,317 | 30.5% | 7,197 | 29.8% | 7,068 | 27.9% | 7,488 | 30.2% | 7,231 | 29.8% | 7,971 | 32.9% |
| Scope 3 Offshore | 18,972 | 69.5% | 16,932 | 70.2% | 18,235 | 72.1% | 17,289 | 69.8% | 17,058 | 70.2% | 16,230 | 67.1% |
| **Total Scope 3** | **27,289** | **100.0%** | **24,129** | **100.0%** | **25,303** | **100.0%** | **24,777** | **100.0%** | **24,289** | **100.0%** | **24,200** | **100.0%** |

It should be noted that the primary driver for increased emissions between FY2025 and FY2026 is increased production following the October 2025 wind damage event.

*Table 3: Emissions by activity*

| | tCO2e YTD FY26 | tCO2e YTD FY25* | tCO2e Variance FY26-FY25 | tCO2e YTD Base year FY22* | tCO2e Variance FY26-FY22 |
|---|---|---|---|---|---|
| Fuels | 114.3 | 116.6 | -2.3 | 103.9 | 10.4 |
| Refrigerant | - | - | - | - | - |
| Animals and livestock | - | - | - | - | - |
| Fertiliser | - | - | - | 0.5 | -0.5 |
| Purchased Electricity | 2.3 | 3.2 | -0.9 | 3.0 | -0.7 |
| Flights (Domestic) | 8.3 | 7.2 | 1.1 | 1.2 | 7.1 |
| Flights (International) | - | 29.9 | -29.9 | - | - |
| Freight | 19,726.5 | 20,046.9 | -320.4 | 20,021.6 | -295.2 |
| Waste to landfill | 2.2 | 1.3 | 0.9 | 1.1 | 1.1 |
| T&D losses | 0.2 | 0.2 | -0.1 | 0.3 | -0.1 |
| Taxis & mileage | 0.1 | 0.7 | -0.6 | 0.1 | -0.0 |
| Contractor Fuels | 4,463.0 | 4,202.5 | 260.5 | 4,104.8 | 358.2 |
| Accommodation | 0.2 | 0.2 | -0.1 | 0.0 | 0.1 |
| Forestry (owned) | -4,929.4 | -4,929.4 | - | -4,929.4 | - |
| **Total** | 19,387.6 | 19,479.4 | -91.7 | 19,307.2 | 80.5 |

Note: *Base year and 2025 (YTD) is an apportioned average and does not reflect seasonality

## Biological Assets, Land and Carbon Valuations

In accordance with best practice biological assets, land and carbon are valued separately

## Biological Assets Valuation

This year's biological assets valuation change represents approximately a 4% reduction in forest value and reflects the outcome of a standard New Zealand Institute of Forestry valuation approach that has been independently peer reviewed by a third-party, Indufor Asia Pacific Ltd.

The valuation approach has evolved compared to previous years. The Company has discontinued use of the Woodstock valuation software model used in prior years to determine a liquidation based, single-rotation forest value.

For the 30 June 2026 valuation the Company has used the Tiger Moth modelling software to determine a multi-rotation derived forest value. The company continues to apply NZ IAS 41, with fair value measured using a revised multi-rotation discounted cash flow technique consistent with NZ IFRS 13 fair value measurement principles. This change is detailed further in the notes to the accounts.

In determining the fair value of its biological assets, the Company considered the interaction between NZ IAS 41 and NZ IFRS 13. The valuation approach previously applied reflected the view that NZ IAS 41 limits the biological asset to the existing crop, effectively, "what is alive" at the measurement date and therefore used cash flows from a single rotation. NZ IFRS 13 requires fair value to reflect market participant assumptions. The New Zealand Institute of Forestry considers that these assumptions would incorporate multiple forest rotations.

In 2026, The Company revised its valuation technique to apply NZ IFRS 13's fair value measurement principles. For a long-term sustainable forestry operation such as City Forests, the Company considers that a multi-rotation cash flow model better reflects the assumptions market participants would use in valuing the existing forest crop. This approach is also consistent with the Company's sustainable forest management objectives set out in its Statement of Intent.

Accordingly, biological assets are valued annually on 30 June and the fair value derived from the new approach decreased by $8.3 million compared to the previous year. The biological asset had

harvesting depletions of $11.3m, cost of bush additions of $2.95m resulting in a net revaluation in Statement of Comprehensive income of $66k, as detailed in note 5 to the accounts.

During the year the Company undertook work to improve the precision of its underlying forest description data incorporating wind damaged areas. One of the primary drivers of the valuation change was the recognition of wind damaged forest areas, approximately 4% of the productive estate. Other change factors are related to the combined effect of updating multiple modelling parameters associated with the adoption of a new model.

There is no change in discount rate year on year with a consistent rate of 6.4% (on a pre-tax basis) having been adopted by the Board of Directors after taking advice on an appropriate range of benchmarked discount rates from Indufor Asia Pacific Ltd.

The New Zealand Institute of Forestry, Forest Valuation Standard allows for biological asset valuations to be conducted on either a post-tax or pre-tax basis, however pre-tax is more common and has been adopted by City Forests.

Likewise, valuations can be conducted either on a single rotation basis or a multi-rotation basis with the multi-rotation approach adopted in 2026 better reflects how market participants would value the tree crop. City Forests has aligned to this approach in 2026.

## Land Valuation

Land is valued using a market-based fair value approach undertaken by independent registered valuer. This is consistent methodology with previous years. The land value decreased overall, particularly certain parcels of Post-89 land. This is in response to market evidence reflecting changes in the carbon price premium and mapping work undertaken by the Company. These changes reversed previous gains to land value purchase price and reduced the land valuation reserve impacting both profit and shareholder equity.

## Future Strategy

The Company continues to operate in a challenging forest products market brought about by global economic factors, noting that market conditions are typically variable and cyclic in nature. In addition, the environmental benefits provided by forests, such as carbon sequestration, are becoming increasingly valuable and will continue to be a strong part of its ESG strategy.

As discussed above there are currently a number of notable risk factors increasing market volatility for the Company's two key products, logs and carbon, whilst inflation of operating costs continues.

Although these factors are impacting short term returns and asset valuations the long-term demand for sustainable wood products and value from climate change related environmental contributions are forecast to be strong.

Operationally, the Company plans to harvest its forests at the long-term sustainable cut level with some annual variations typically about +/- 10% to adjust for market conditions. Logs will continue to be supplied to a range of domestic and international markets and the Company will continue to take steps to increase market diversification.

The company is actively working with industry peers to enable added value wood processing investment in Otago as a means to increase domestic wood processing, increase market diversification whilst reducing supply chain carbon emissions.

Performance improvement in tree genetics, forest silviculture and supply chain continue to be a focus of management to ensure returns from the forest estate are maximised in the long term.

The Company plans to continue with a strategy of modest forest estate expansion where there is strategic benefits, only undertaken in consultation with the shareholder where a value-add opportunity exists for the DCHL group.

The Board's focus is to ensure the Company is run on a long-term sustainable basis ensuring financial, environmental and social prosperity. Operational performance improvement and business growth will deliver long-term wealth and environmental prosperity for the shareholder.

## Outlook

The outlook for the 2027 financial year is predicted to deliver a result similar operating result to 2026 with profitability being constrained by market forces for the two key products (logs and carbon), noting cost inflation and geopolitical trade risks and higher than average fuel costs at the date of this report. The Company's underlying operational performance is predicted to be similar to previous years. However, profitability will be variable and dependent on how log markets, carbon markets and the wider international economy are impacted by evolving risk factors.

The Company's operational financial performance is driven by export and domestic log sales and strong customer relationships. A special dividend of $3.0 million is forecast for the 2027 year being sourced from sales of part of the carbon asset.

Looking to the medium-term future, the Company is optimistic that the New Zealand Forest Industry will continue to generate favourable returns in international and domestic log markets. This is driven by strong demand for renewable wood products domestically and from China, India and other Asian economies experiencing economic growth. As experienced in the past it is expected that economic volatility will cause these returns to remain cyclical in nature throughout each financial year.

The Company is well placed with a mature, harvest ready forest and proven export capability to make the most of market opportunities.

## Change of Directors

There have been no change of Directors during the financial year.

## Financial Statements

The audited financial statements for the year ended 30 June 2026 are attached to this report.

## Directors' Interests in Contracts

Refer to Directors' Declarations of Interest section on page 28 and the Related Parties Transactions note 16.

## Auditors

The Controller and Auditor General has contracted the audit to The Audit Office. Auditor's remuneration is set out in Note 4.

## Employee Remuneration

The number of employees with total remuneration exceeding $100,000 per annum is detailed in the following table in $10,000 remuneration brackets. .

*Table 4:*

| Employee Total Remuneration including Other Benefits, $000 | No of Employees |
|---|---|
| $100,000-$110,000 | 1 |
| $110,000-$120,000 | 2 |
| $120,000-$130,000 | 1 |
| $130,000-$140,000 | 1 |
| $150,000-$160,000 | 1 |
| $160,000-$170,000 | 1 |
| $170,000-$180,000 | 1 |
| $220,000-$230,000 | 1 |
| $280,000-$290,000 | 1 |
| $430,000-$440,000 | 1 |

## Disclosure of Chief Executive Officer remuneration

The base salary of the CEO is in the range of $350,000 - $360,000. Additionally short-term incentives of between $40,000 and $50,000 are paid if performance criteria are met. This excludes

other benefits of $28,000. The performance criteria used to determine the performance-based payments are based on Company financial performance, health and safety performance, delivery of strategy including performance improvement and managing risk.

## Gender Diversity

There are two men and two women at board level, and four men and one woman at senior management level across the organisation. There are ten men and four women as employees of the organisation.

## Information on the Directors of City Forests Limited

| | 2026 | 2025 |
|---|---|---|
| **Scott A Mason**<br>Chairman (Appointed 1 September 2022)<br>Non-Executive Director (Reappointed 1 October 2025) | 82 | 75 |
| **K Alison Posa**<br>Non-Executive Director (Reappointed 1 October 2023)<br>Chair, Audit Committee (Appointed 1 May 2023) | 41 | 38 |
| **Phil R Melhopt**<br>Non-Executive Director (Reappointed 1 October 2024) | 41 | 38 |
| **Kate E Bromfield**<br>Non-Executive Director (Reappointed 1 September 2024) | 41 | 38 |

## Directors' Insurance

As provided in the Company's Constitution, City Forests Limited has arranged policies of Directors' Liability Insurance, which together with a deed of indemnity, ensure that the Directors will incur no monetary loss as a result of actions undertaken by them as Directors provided that they operate within the law.

## Directors' Benefits

No Director of City Forests has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the Directors shown in the financial statements.

There were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been available to them.

## Staff

The Directors record their appreciation of the professional and positive way that both staff and contractors have carried out their duties during the year especially in the challenging time period following the October 2025 wind damage event. The Company is very fortunate to have a small but highly skilled and dedicated team ably led by Grant Dodson, the Company's Chief Executive Officer supported by an experienced Board of Directors.

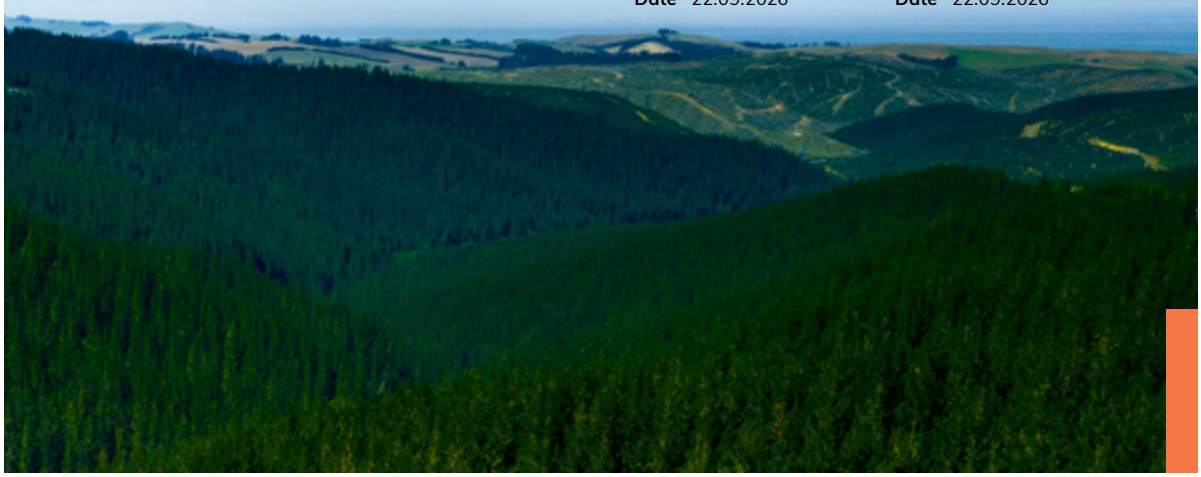
On behalf of the Board of Directors:

**S A Mason**
**Chairman**

**Date** 22.09.2026

**K A Posa**
**Director**

**Date** 22.09.2026



City Forests
ENVIRONMENTAL SOCIAL & GOVERNANCE
"FORESTS FOR OUR FUTURE"

## Environment and Sustainability

- Continued commitment to responsible and sustainable forest estate management
- 120 years of sustainable forest management
- 26 years Certified Forest Stewardship Council
- FSC® confirmed the Company's strategy/ systems are sustainable & environmentally positive
- Bio-energy – supply of logs to Otago bio-energy market/Supply wood energy to Dunedin Energy Centre via Pioneer Energy
- Rare Threatened & Endangered Species Protection – work with DOC/University of Otago maintained and enhanced
- Sponsorships – Orokonui Eco Sanctuary, Yellow Eyed Penguin Trust, Dunedin Wildlife Hospital, Predator Free Otago

## Climate Change

- Greenhouse Gas Emissions reporting undertaken
- Plan to reduce greenhouse gas emissions in place
- Participant in Emissions Trading Scheme
- Carbon Storage 8.2m tonnes $C0^2$-e
- New plantings increasing carbon storage

## Health and Safety

- Commitment & improvement culture
- Lost Time Injury Frequency 12.4 (5.9 previous year)
- Contractor Certification
- Risk assessment
- Drug and alcohol testing
- Internal safety audit systems
- Audit and compliance

## Our People

- Safety & well being focus
- Culture of valuing staff
- Training plans in place
- Apprenticeship Program participation

## Society and Community

- Donations - Clubs & Charities
- Public use of forests in a controlled fashion is encouraged
- Events – Rally of Otago/Trail bike events
- Recreational activities – Mountain biking/ walking/horse trekking
- Bike tracks established
- Emergency Management & Rural Fire

## Responsible Business

- Corporate governance
- Risk management
- Legal compliance
- Conduct & Ethics
- Verification
  - Financial → Audit New Zealand
  - Environment → FSC®
  - Health & Safety → Internal Compliance Audit / FISC Contractor Certification

City Forests

# COMPANY HIGHLIGHTS 2026

*$'000

SHAREHOLDER FUNDS

# $248,445*

DIVIDENDS PAID

# $7,710*

OPERATING CASHFLOWS

# $6,277*

# Information on the Directors of City Forests Limited

## Director, Qualifications and Declarations of Interest

**Mr Scott A Mason** (Non-Executive Director)
F.C.A., C.F.Inst.D., B Com., B.A., cB.A., DipGradBus. (Disp Res), A.A.M.I.N.Z.

**Date Reappointed 1 October 2025**
**Appointed Chairman 1 September 2022**

- Consultant, Findex Otago
- Director, Bison Group Limited
- Director, Severely Limited
- Director, Financially Limited
- Director, Samian Notas Limited
- Director, Smith Brothers Holdings Limited (and ancillary entities)
- Chairman, NomosOne Trustees Limited
- Chairman, Get Home Safe Limited
- Chairman, Banqer Limited
- Director, Amelda Holdings Limited
- Director, Andy Bay Investments Limited
- Director, Blenheim Road Properties Limited
- Director, Invercargill Property Investments Limited
- Director, Southern Motor Group Limited (and associated entities)
- Director, Wofo Limited
- Director, C S Kennedy Trustee Company Limited
- Director, Gillam Estate Limited
- Chairman, Otago Branch Committee, Institute of Directors
- Member, Institute of Directors of NZ Council, Board
- Trustee, StartUp Dunedin Trust
- Member, Otago Polytechnic Council
- Director, Pilatus Trust

**Ms K Alison Posa** (Non-Executive Director)
BMS(Hons), CA. G.A.I.C.D., CM.Inst.D.

**Date Reappointed 1 October 2023**
**Chair, Audit Committee**
**Date appointed 1 May 2023**

- Director, Asurequality Limited
- Chair Audit Advisory Board, PricewaterhouseCoopers
- Director, City Care Limited
- Director, OTPP NZ Forest Investments Limited
- Director, OTPP NZ Forest Investments Topco Limited
- Director, Waonui Forests Investments Limited

**Mr Philip R Melhopt** (Non-Executive Director)
M.Inst.D., B Com., (Forestry)

**Date Reappointed 1 October 2024**

- Chief Executive Officer, Primeport Timaru Limited

**Dr Kate E Bromfield** (Non-Executive Director)
PhD, CM.Inst.D.

**Date Reappointed 1 September 2024**

- Chief Executive Officer, Hazard Evaluation Limited
- Director, Elemental Group Limited

# Trend Statement

| (All $'000 unless stated otherwise) FINANCIAL PERFORMANCE | 2026 | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| Domestic Revenue | 11,298 | 9,142 | 10,984 | 9,780 | 8,895 |
| Export Revenue | 48,022 | 48,549 | 48,943 | 53,142 | 55,199 |
| Other Revenue | 1,071 | 758 | 574 | 513 | 1,634 |
| **Total Operating Revenue** | **60,391** | **58,449** | **60,501** | **63,435** | **65,728** |
| Percentage (Decrease)/Increase | 3.3% | (3.4%) | (4.6%) | (3.5 %) | .9% |
| Inventory Movement | 1,141 | 225 | 107 | 213 | 56 |
| **Total Expenses** | **64,552** | **59,672** | **62,055** | **65,118** | **67,319** |
| Percentage (Decrease)/Increase | 8.2% | (3.8%) | 4.7% | 3.3% | 17.4% |
| **Operating (Loss)/Surplus** | **(3,020)** | **(998)** | **(1,447)** | **(1,470)** | **(1,535)** |
| Gain in fair value of biological assets | 66 | 7,423 | 11,686 | 13,185 | 9,474 |
| Write up/(down) value of land/bldgs | (207) | 5,043 | (2,179) | (2,956) | 453 |
| **Surplus After Non-Operating Items and Before Taxation** | **(3,161)** | **11,468** | **8,060** | **8,759** | **8,392** |
| **Income Tax** | **(916)** | **1,762** | **2,966** | **3,296** | **2,232** |
| **TOTAL SURPLUS AFTER TAXATION** | **(2,245)** | **9,706** | **5,094** | **5,463** | **6,160** |

| SHAREHOLDERS' FUNDS | | | | | |
|---|---|---|---|---|---|
| Shareholders' Funds | 248,445 | 274,907 | 242,400 | 244,967 | 282,203 |
| Operating Cash flow | 6,277 | 7,846 | 9,075 | 6,258 | 7,258 |
| Return of capital | - | - | - | 10,000 | - |
| Dividends Paid - Normal | 710 | 3,134 | 3,000 | 3,600 | 5,000 |
| - Special | 7,000 | 10,000 | 13,500 | - | 1,800 |
| Value of Biological assets | 201,783 | 210,105 | 210,248 | 205,543 | 201,362 |
| Surplus after tax to shareholders funds | (.9%) | 3.53% | 2.1% | 2.2% | 2.18% |
| Proprietorship Ratio | 67.5% | 67.9% | 66.4% | 69.4% | 72.56% |
| Net Biological assets Revaluation | 48 | 5,344 | 8,414 | 9,493 | 6,822 |
| Net Land Revaluation | (10,268) | 26,648 | 2,830 | (1,949) | 10,156 |

| FOREST STATISTICS (Whole numbers) | | | | | |
|---|---|---|---|---|---|
| Forest harvested (m3) | 409,407 | 373,874 | 389,116 | 360,562 | 343,326 |
| Volume traded (m3) | 7,863 | 13,082 | 14,058 | 18,914 | 26,358 |
| Forest planted (ha) | 425 | 1,191 | 824 | 1,214 | 1,054 |
| Total forest (ha) | 20,103 | 20,115 | 20,016 | 20,084 | 19,919 |
| Forest purchased (ha) | - | - | - | - | 130 |

City Forests

# FINANCIAL STATEMENTS

# Statement of Comprehensive Income

For the Year Ended 30 June 2026

| | NOTE | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| Revenue | 3 | 60,439 | 63,433 |
| Financial income | | 40 | 59 |
| Gain in fair value of biological assets | 5 | 66 | 7,423 |
| **TOTAL REVENUE** | | **60,545** | **70,915** |
| **Inventory movement** | | **1,141** | **225** |
| **LESS EXPENSES:** | | | |
| Contractors | | 24,780 | 21,079 |
| Depreciation and amortisation expense | | 680 | 702 |
| Directors' fees | | 206 | 188 |
| Employee expenses | | 2,641 | 2,472 |
| Financial expenses | | 2,139 | 3,044 |
| Other expenses | 4 | 34,401 | 32,187 |
| **Total expenses** | | **64,847** | **59,672** |
| **(Loss)/profit before tax** | | **(3,161)** | **11,468** |
| (Plus)/less Income tax expense | 14 | (916) | 1,762 |
| **NET (LOSS)/PROFIT AFTER TAX** | | **(2,245)** | **9,706** |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| (Loss)/gain on cash flow hedges taken to equity | | (5,225) | 1,992 |
| Hedging gains reclassified to profit or loss | | 811 | - |
| Tax effect of cash flow hedges taken to equity | | 1,236 | (558) |
| (Decrease)/increase in land revaluation | | (10,581) | 26,648 |
| Carbon credits (devaluation)/revaluation above initial recognition taken to equity | | (5,227) | 11,777 |
| Carbon credits revaluation/(devaluation) on sale units | | 1,417 | (840) |
| Tax effect of carbon credits taken to equity | | 3,701 | (1,581) |
| Tax effect of carbon credits sold | | (2,639) | 1,503 |
| **TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR** | | **(16,507)** | **35,935** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **(18,752)** | **45,641** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Statement of Changes in Equity

For the Year Ended 30 June 2026

| | Share Capital $'000 | Reserves $'000 | Retained Earnings $'000 | Total Equity $'000 |
|---|---|---|---|---|
| **Balance at 1 July 2024** | **15,691** | **188,367** | **38,342** | **242,400** |
| Net profit after tax | - | - | 9,706 | 9,706 |
| Other comprehensive income for the year | - | 35,935 | - | 35,936 |
| Normal Dividends paid | - | - | (3,134) | (3,134) |
| Special Dividend paid | - | - | (10,000) | (10,000) |
| Transfer forestry reserve | - | (1,054) | 1,054 | - |
| Transfer carbon reserve | - | (3,856) | 3,856 | - |
| **Balance at 30 June 2025** | **15,691** | **219,392** | **39,824** | **274,907** |
| | | | | |
| **Net profit after tax** | **-** | **-** | **(2,245)** | **(2,245)** |
| Other comprehensive income for the year | - | (16,507) | - | (16,507) |
| Normal Dividends paid | - | - | (710) | (710) |
| Special Dividend paid | - | - | (7,000) | (7,000) |
| Transfer forestry reserve | - | (7,077) | 7,077 | - |
| Transfer carbon reserve | - | (6,769) | 6,769 | - |
| **Balance at 30 June 2026** | **15,691** | **189,039** | **43,715** | **248,445** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Statement of Financial Position

As at 30 June 2026

| EQUITY | NOTE | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| Share Capital | 9 | 15,691 | 15,691 |
| Forestry reserve | 10 | 97,198 | 104,275 |
| Land revaluation reserve | 10 | 66,788 | 77,369 |
| Hedging reserve | 10 | (1,667) | 1,511 |
| Carbon credit reserve | 10 | 26,721 | 36,237 |
| Retained earnings | 11 | 43,714 | 39,824 |
| **TOTAL EQUITY** | | **248,445** | **274,907** |

| LIABILITIES | | | |
|---|---|---|---|
| *CURRENT LIABILITIES* | | | |
| Trade and other payables | | 2,844 | 3,269 |
| Other current liabilities | | 344 | 377 |
| Employee Provisions | | 333 | 290 |
| Derivative financial instruments | 12 | 1,323 | 34 |
| Provision for taxation | 14 | 4,151 | 3,115 |
| Lease liabilities | | 165 | 148 |
| **Total current liabilities** | | **9,160** | **7,233** |
| *NON-CURRENT LIABILITIES* | | | |
| Term borrowings | 13 | 48,500 | 54,000 |
| Lease liabilities | | 102 | 96 |
| Derivative financial instruments | | 1,083 | 9 |
| Deferred tax liability | 15 | 60,892 | 68,245 |
| **Total non-current liabilities** | | **110,577** | **122,350** |
| **TOTAL LIABILITIES** | | **119,737** | **129,583** |
| **TOTAL EQUITY PLUS LIABILITIES** | | **368,182** | **404,490** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

| CURRENT ASSETS | NOTE | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| Cash and cash equivalents | | 2,817 | 1,315 |
| Trade and other receivables | | 1,885 | 3,682 |
| Inventories | | 2,611 | 1,469 |
| Prepayments | | 40 | 31 |
| GST refund | | 123 | 560 |
| Derivative financial instruments | 12 | 56 | 846 |
| Assets held for sale | 8 | - | 2,862 |
| **TOTAL CURRENT ASSETS** | | **7,532** | **10,765** |

| NON-CURRENT ASSETS | | | |
|---|---|---|---|
| Derivative financial instruments | 12 | 35 | 1,296 |
| Property, plant and equipment | 7 | 120,611 | 130,967 |
| Biological assets | 5 | 201,783 | 210,105 |
| Investments | | 2 | 2 |
| Intangibles – computer software | | 18 | 2 |
| Intangibles – New Zealand carbon credits | 6 | 38,201 | 51,353 |
| **Total non-current assets** | | **360,650** | **393,725** |
| **TOTAL ASSETS** | | **368,182** | **404,490** |

For and on behalf of the Board of Directors:

**S A Mason**
Chairman

**Date** 22.09.2026

**K A Posa**
Director

**Date** 22.09.2026

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Statement of Cash Flows

For the Year Ended 30 June 2026

| | NOTE | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| *CASH WAS PROVIDED FROM* | | | |
| Receipts from customers | | 61,387 | 57,184 |
| Interest received | | 48 | 59 |
| | | **61,435** | **57,243** |
| *CASH WAS DISBURSED TO* | | | |
| Payments to suppliers and employees | | 50,089 | 45,632 |
| Interest paid | | 1,965 | 1,998 |
| Income tax/subvention | | 3,104 | 1,767 |
| | | **55,158** | **49,397** |
| **NET CASH INFLOWS FROM OPERATING ACTIVITIES** | **17** | **6,277** | **7,846** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| *CASH WAS PROVIDED FROM* | | | |
| Sale of property, plant and equipment | | 2,774 | 17 |
| Sale of carbon credits | | 9,426 | 5,370 |
| | | **12,200** | **5,387** |
| *CASH WAS DISBURSED TO* | | | |
| Purchase of property, plant and equipment | | 912 | 627 |
| Purchase of Biological assets | | 2,572 | 2,565 |
| Purchase of carbon credits | | 65 | - |
| | | **3,549** | **3,192** |
| **NET CASH INFLOWS FROM INVESTING ACTIVITIES** | | **8,651** | **2,195** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

| CASH FLOWS FROM FINANCING ACTIVITIES | 2026 $'000 | 2025 $'000 |
|---|---|---|
| *CASH WAS PROVIDED FROM* | | |
| Proceeds from borrowings | 4,300 | 11,500 |
| | **4,300** | **11,500** |
| *CASH WAS DISBURSED TO* | | |
| Repayment of borrowings | 9,800 | 8,200 |
| Lease repayments | 157 | 153 |
| Dividends paid | 7,710 | 13,134 |
| | **17,667** | **21,487** |
| **NET CASH (OUTFLOWS) FROM FINANCING ACTIVITIES** | **(13,367)** | **(9,987)** |
| **Net Increase in Cash Held** | **1,561** | **54** |
| Cash and short-term deposits at the beginning of the year | 1,315 | 2,210 |
| Net foreign exchange difference | (59) | (949) |
| **CASH AND SHORT-TERM DEPOSITS AT THE END OF THE YEAR** | **2,817** | **1,315** |

## ACCOUNTING POLICY

The statement of cashflows is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive income via profit or loss.

'Operating activities' represents all transactions and other events that are not investing or financing activities and includes receipts and repayments of occupancy advances.

'Investing activities' are those activities relating to the acquisition and disposal of property, plant and equipment, intangibles and other long-term assets.

'Financing activities' are those activities relating to changes in the debt capital structure of the Company.

The accompanying notes and accounting policies form an integral part of these audited financial statements.

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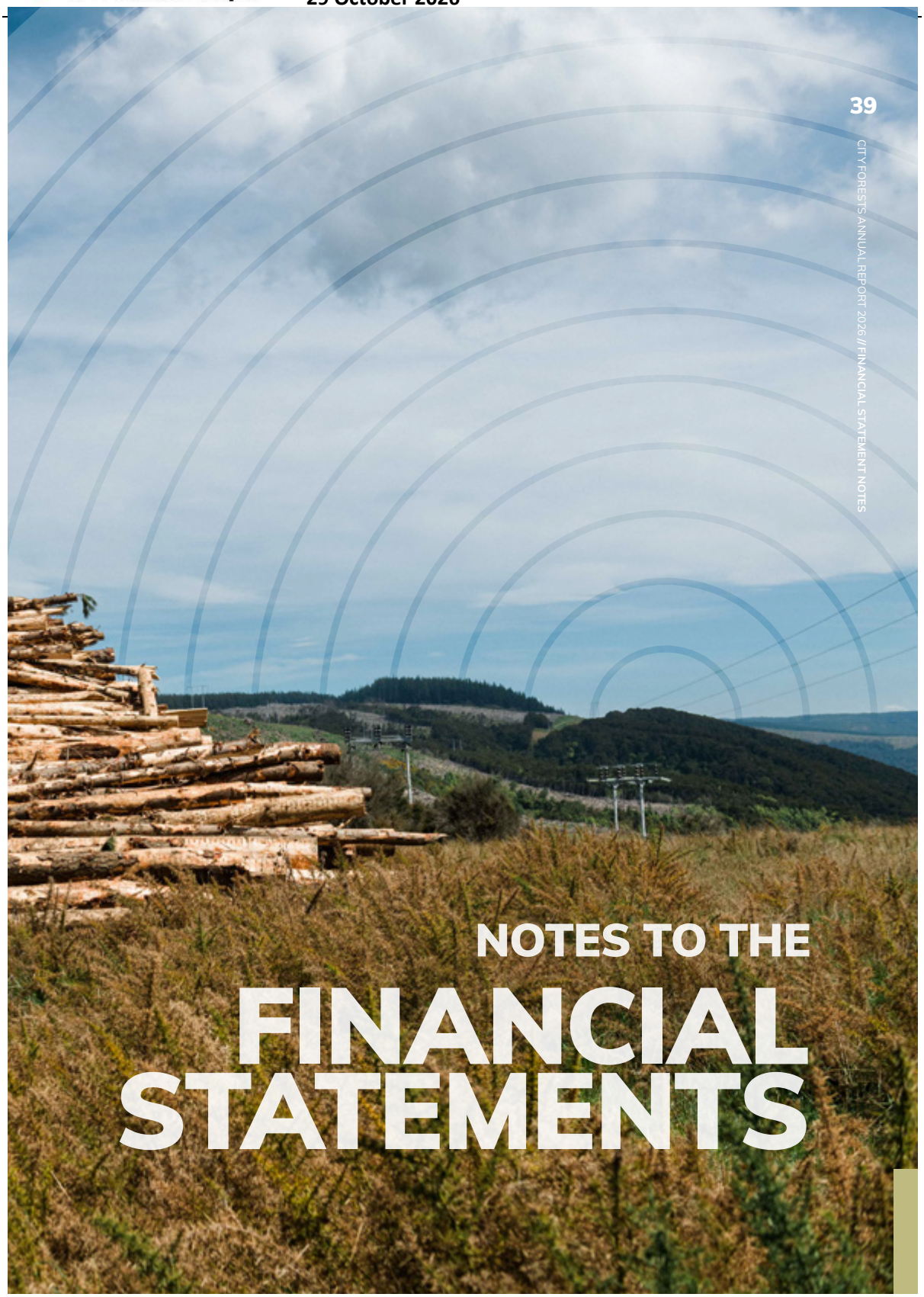




# NOTES TO THE FINANCIAL STATEMENTS

# Notes to the Financial Statements

For the Year Ended 30 June 2026

## 1. REPORTING ENTITY

City Forests Limited is a Council Controlled Trading Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

The registered address of the Company is 123 Crawford Street, Dunedin.

City Forests Limited is a profit orientated entity.

The financial statements have been prepared in accordance with the requirements of, the Local Government Act 2002 and the Companies Act 1993.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates. The rounding is in (000)'s.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

The annual financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand Equivalents to International Financial Reporting Standards (IFRS), and other applicable Financial Reporting Standards, as appropriate for profit orientated entities.

The financial statements were authorised for issue by the Directors on 22 September 2026.

### Basis of Accounting

The Company is a Tier 1 for-profit entity as defined by the External Reporting Board and has reported in accordance with Tier 1 For-profit Accounting standards. These annual financial statements are general purpose financial reports which have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit entities.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain property, plant and equipment, biological assets, derivative financial instruments, financial instruments classified as available for sale and financial instruments held for trading.

### Standards amended or issued during the year

The accounting policies set out in these financial statements are consistent for all periods presented as except as identified below.

### Accounting Standards issued but not yet effective and not early adopted

The new standards and amendments not yet effective for the 30 June 2026 financial year are:

**NZ IFRS 18 Presentation and Disclosure in Financial Statements (effective 1 January 2027)**

The standard introduces a more structured format for the income statement, including clearly defined subtotals such as Operating Profit and Profit Before Financing and Income Taxes. These subtotals must be derived using a prescribed classification of income and expenses into three categories: operating, investing and financing. The standard also requires specific disclosure related to Management Defined Performance Measures (MPMs) to enhance transparency around non- GAAP performance metrics. The company is currently assessing the full impact of NZ IFRS 18 on its financial reporting. While the standard is not expected to affect recognition or measurement of assets and liabilities, it will impact how financial performance is presented and how certain performance measures are disclosed. The Company intends to adopt NZ IFRS 18 from 1 July 2027 and is in the process of evaluating the changes needed to systems, controls and processes to support compliance with the new requirements.

Any other new accounting standards, interpretations and amendments to standards issued, but not yet effective, have not been early adopted by the Company and are not expected to have a material impact on these financial statements when adopted.

### Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions

may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the notes to the financial statements below. The estimates and assumptions that

have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities in the next financial year include:

| | |
|---|---|
| Note 5 | Biological assets valuations |
| Note 6 | Intangibles - New Zealand carbon credits |
| Note 7 | Property, Plant and equipment valuation |
| Note 15 | Deferred tax liabilities |

### Currencies

For the purpose of the financial statements the results and financial position of the Company are expressed in New Zealand dollars, which is the functional currency of the Company.

Transactions in currencies other than New Zealand dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. The Company does not hold non-monetary assets nor liabilities denominated in foreign currencies.

In order to hedge its exposure to certain foreign exchange risks, the Company may enter into forward contracts and options (see note 12 for details of the Company's accounting policies in respect of such derivative financial instruments).

### Good and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for trade receivables and trade payables which are recognised inclusive of GST.

### Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset or cash-generating unit is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previous revaluation increase for that asset or cash generating unit that remains in the revaluation reserve.

Any additional impairment is immediately transferred to the statement of comprehensive income via profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

### Inventories

Inventories reported in the statement of financial position include:

- Log inventories
  Valued at the lower of cost or net realisable value.
- Other inventory
  Valued at the lower of cost and net realisable value.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Cash and cash equivalents are held at amortised cost.

### Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are

initially recognised at fair value and subsequently at amortised cost. The Company holds the trade receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in Note 12.

### Financial Instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

### Financial Liability and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

### Government Grants

Government grants are recognised when there is a reasonable assurance that the Company has complied with the conditions attached to them, the grants have been received and conditions of the grants have been met.

## 3. REVENUE

| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Sales revenue | 59,320 | 57,691 |
| Other revenue | 1,031 | 699 |
| Reversal of land impairments | - | 5,037 |
| Reversal of building impairment | 88 | 6 |
| | **60,439** | **63,433** |

### ACCOUNTING POLICY

#### Revenue Recognition

**Revenue from contracts with customers is recognised when performance obligations have been satisfied.**

**In respect of export sales, the largest category of sales, the Company has determined that there are two performance obligations. The Company is obligated under the contract to supply the specified goods and also to arrange and pay for shipping and insurance on behalf of the customer.**

**Control of the goods passes, and the service of arranging shipping and insurance is complete, at the point when the goods have been loaded onto a ship at the port of departure, to be delivered to the customer's chosen destination. Revenue is recognised at this point in time.**

**In respect of domestic sales within New Zealand, control is considered to be transferred to the customer on delivery of the goods.**

## 4. OTHER EXPENSES

| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Audit fees – audit of financial statements | 176 | 193 |
| Donations | 13 | 19 |
| Net Impairment loss on valuation of land | 295 | - |
| Research expenditure | 65 | 129 |
| Cost of bush applied | 11,333 | 10,664 |
| Shipping costs | 18,474 | 17,762 |
| Other operating expenses | 4,045 | 3,420 |
| | **34,401** | **32,187** |

## 5. BIOLOGICAL ASSETS

| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Balance at the beginning of the year | 210,105 | 210,248 |
| *ADD* | | |
| Costs capitalised in establishing forests during the year | 2,945 | 3,108 |
| Biological Assets revaluation | 66 | 7,422 |
| *LESS* | | |
| Cost of trees harvested at fair value | (11,333) | (10,673) |
| | **201,783** | **210,105** |

The Directors of City Forests Limited revalue its biological assets annually as at 30 June. A peer review of the valuation process and key inputs is conducted by Indufor Asia Pacific Ltd.

The valuation methodology used establishes the fair value of the biological assets and an independent market value has been used to establish the forest land value. The change in the value of the biological assets from year to year is reflected in the statement of comprehensive income.

Fair value is determined by calculating the present value of expected net cash flows using a pre-tax discount rate. This discount rate used by the Company is 6.4% (2025 6.4%).

The biological assets valuation is subject to a number of assumptions. The ones with the most significant volatility or impact on the valuation are the discount rate applied and log prices adopted. The discount rate adopted was 6.4% (2025 6.4% pre-tax); a +/- 50 basis point movement in the discount rate would change the valuation by +$19.3 mil / -$16.3 mil (2025 +$13.1 mil / -$11.9 mil). A 10% increase or decrease in assumed log prices would change the valuation by +$9.4 mil / -$9.2 mil (2025 +$16.4 mil / -$16.4 mil) (note that these sensitivities as shown are independent and a different outcome would result from combined changes in discount and log prices).

At 30 June 2026, the Company owned stands of trees on 20,103 hectares of total productive land within a total area of land holdings (including freehold, lease, Joint Venture & Forestry Right) of 25,220 hectares. During the year the Company harvested approx. 409,407 m3 of wood from its forests.

City Forests Limited is exposed to financial risks associated with USD log prices. This risk is managed through its financial management policy described within note 12, Financial Instruments. City Forests Limited is a long-term forestry investor that expects log prices to fluctuate within a commodity cycle. It is not possible to hedge against 100% of the price cycle but the Company

does manage harvest volumes to minimise the impact of the commodity price cycle over the longer term.

During the 2026 financial year, a significant wind event impacted areas of the Company's forests. As a result, the Company has lodged four Temporary Adverse Event Suspension applications with the Ministry of Primary Industries under the New Zealand Emissions Trading Scheme. As at 30 June 2026, the applications remained under assessment and the timing and outcome of any decisions were uncertain. Accordingly, no adjustment has been made to the Company's biological asset valuation for any potential impact arising from those applications beyond currently scheduled harvest activity.

The valuer of the biological assets is an employee of the Company who has a Bachelor of Business Management, a Masters in Forestry Science and is a member of the New Zealand Institute of Forestry. He has the appropriate knowledge and the skills to complete the valuation.

### Change in valuation methodology

During the year ended 30 June 2026, the Company adopted a revised valuation methodology for its biological assets using a multi-rotation discounted cash flow model. Management and Board concluded that the revised methodology provides a more representative measure of fair value as it incorporates multiple harvest rotations and a longer-term assessment of expected cash flows from the forest. The change was made following improvements in valuation modelling capability and the availability of information supporting a multi-rotation assessment of value.

The Company continues to measure biological assets at fair value less costs to sell in accordance with NZ IAS 41 Agriculture. The revised methodology represents a change in valuation technique used to estimate fair value rather than a change in accounting policy. The valuation remains classified as a Level 3 fair value measurement under NZ IFRS 13 Fair Value Measurement.

Management considers the revised methodology is inherently more detailed in its analysis of inputs and only represents a change in accounting estimate arising from a change in valuation technique. Consistent with NZ IFRS 13.66, changes in valuation techniques are accounted for as changes in accounting estimates in accordance with NZ IAS 8. The effects of the revised methodology have therefore been recognised prospectively in the current reporting period.

Comparative information has not been restated. The previous valuation methodology was based on a materially different approach and was not capable of generating equivalent multi-rotation outputs. As a result, management was unable to reliably recreate comparable prior-period valuations using the revised methodology.

A peer review of the valuation process was conducted by Indufor Asia Pacific. The peer review did not seek to complete examination of financial records or confirm derivation of input costs, price assumptions or review the harvest strategy or allocation assumptions for applicability to the business. The peer review confirmed subject to the inputs and assumptions being correct, the valuation is calculated correctly.

### ACCOUNTING POLICY

**The company capitalises the initial costs for the establishment of the biological assets and all subsequent costs. These costs include site preparation, establishment, releasing, fertilising, and tending.**

**The fair value of the biological assets, exclusive of the forest land, is determined at each reporting date. Fair value is determined using the discounted cash flow methodology and in using this method, financing costs are excluded. The method first determines the current market value of the collective biological assets and land resource, with land then subtracted at its current market value to provide the value of the biological assets. The biological assets valuation is based on unobservable inputs and falls within Level 3 of the fair value hierarchy.**

**The valuation of the biological assets has been performed using cashflows from a perpetual forest estate model in which forest value is derived through the contribution of both the current and future rotations. The valuation takes into account changes in price over the accounting period through a graduated current to five-year average price curve as well as the quantity of trees harvested and the growth that has occurred in the forest. Any change in biological assets valuation is recorded in the statement of comprehensive income via profit or loss.**

## 6. INTANGIBLES - NEW ZEALAND CARBON CREDITS

The New Zealand Emissions Trading Scheme was enacted under the Climate Change Response Amendment Act 2008 and was made into law on 26th September 2008.

The carbon credits are assessed as having an indefinite life as they have no expiry date. As the NZUs are an indefinite life intangible asset they are not amortised but are tested for impairment on an annual basis or when indications of impairment exist.

There were carbon credit sales for the financial year of 200,000 units. (2025 100,000 units).

As at 30th June 2026, 1,052,206 units were unsold (2025 1,239,750 units). Under the accrual principle, safe carbon level credits have been valued based on the current market prices.

The value has been carried in the financial statements as follows:

| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Balance at the beginning of the year | 51,353 | 45,776 |
| Plus revaluations | (4,166) | 6,832 |
| Plus/(less) change in value of safe carbon units | 375 | 4,115 |
| Less disposals | (9,426) | (5,370) |
| Plus additions/allocations | 65 | - |
| | 38,201 | 51,353 |
| | $ | $ |
| Unit price | 54.50 | 58.25 |

In future years there will be a carbon credit liability against a proportion of the carbon credits sequestered from post-1989 forest areas registered in the "Stock Change" system in accordance with New Zealand Emission Trading Scheme Regulations. A proportion of Carbon sequestered from Post-1989 areas will have to be surrendered to compensate for the carbon liability generated from harvesting those forest areas.

The Company carries out modelling work to forecast future annual carbon sequestration and emission transactions in accordance with the rules of the New Zealand Emission Trading Scheme. This modelling establishes a safe or liability free carbon level being the number of NZU's the Company has available for sale liability free. NZU's held above this safe level effectively have no value as the NZU's are subject to future surrender liabilities following harvest. The safe carbon level is a management estimate based on the company's current official FMA (Forestry Management Approach) yield tables, and a City Forests' specific harvest schedule of Carbon Accounting Areas (CAAs) when managed in perpetuity. The estimate assumes ETS land eligibility for areas not yet registered. The modelling is independently reviewed by Indufor.

During the 2026 financial year, a significant wind event impacted areas of the Company's forests. As a result, the Company has lodged four Temporary Adverse Event Suspension applications with the Ministry of Primary Industries under the New Zealand Emissions Trading Scheme.

As at 30 June 2026, the applications remained under assessment to the extent that the timing and outcome of any decisions were uncertain. Accordingly, no adjustment has been made to the Company's safe carbon calculation or carbon asset valuation for any potential impact arising from those applications. The safe carbon calculation represents management's best estimate based on information available at balance date and reflects current harvest forecasts, existing ETS settings and applicable Forestry Management Approach yield tables. Future adjustments may be required in subsequent reporting periods once the outcome of the MPI applications become known.

The recognition of NZU's held in the Company's registry account is defined by accounting policy.

## ACCOUNTING POLICY

Carbon Credits (NZU's) are treated as intangible assets.

- Purchased carbon units are initially measured at cost.
- Carbon units are granted by the Government under the emissions trading scheme for carbon sequestration by post-1989 forests. Although some carbon units earned for forest growth will subsequently be returned to the government when the forest is harvested, a proportion of units will never be returned under expected forest crop rotations.
- All units allocated by government are init ially measured at nil. Those units that are not required to be held to be surrendered to meet future harvest liabilities, are subsequently valued at fair value.
- Carbon units that are held to be surrendered to meet future harvest liabilities, are measured at nil.
- Liability free carbon units are marked to market (revalued) regularly as required, and at 30 June subsequent to initial recognition. This fair value is based on current market prices. The difference between initial fair value or previous annual revaluation and revaluation value of the liability free units is recognised in other comprehensive income.
- The carbon credit valuation is based on market data and falls within Level 1 of the fair value hierarchy.
- NZUs are revalued prior to disposal to fair value based on current market prices. The gain or loss arising from derecognition is determined as the difference between net proceeds and the carrying amount of the units.
- Emissions obligations are recognised for forest harvesting that has occurred up to balance date. Emissions obligations are measured based on the carrying value of carbon units held by the company that will be used to settle the obligation (generally nil value) plus the fair value of any excess carbon units required to be purchased to meet the emissions obligation.

| NZU's # of units at end of year | 2026 # | 2025 # |
|---|---|---|
| Held at Fair value | 700,937 | 881,597 |
| Held at Nil value | 351,269 | 358,153 |
| **Total Units at end of year** | 1,052,206 | 1,239,750 |
| **Units – Post 1989** | | |
| Opening | 1,239,750 | 1,338,370 |
| Credits Issued | 5,953 | - |
| Per Emissions Trading Register | 1,245,703 | 1,338,370 |
| Units acquired | 6,503 | - |
| Units sold | (200,000) | (98,620) |
| Fair Value NZU's | 1,052,206 | 1,239,750 |
| **Units - Pre 1990** | | |
| Opening balance | - | 1,380 |
| Units sold | - | (1,380) |
| Closing balance all units at end of year | - | - |
| Total units at end of year | 1,052,206 | 1,239,750 |
| Less Units at Nil value | (351,269) | (358,153) |
| Held at Fair Value | 700,937 | 881,597 |

| | $ $'000 | $ $'000 |
|---|---|---|
| Value applied to risk free units @ $54.50 (2025 $58.25) | 38,201 | 51,353 |

The price of the risk-free units is determined by the NZU spot price on the "Carbon Match" trading platform as at 30 June. The price is sensitive to economic factors that can lead to sudden significant price swings. The Company has a full policy on NZU management and manages the risk around price swings by maintaining a NZU holding as a percentage of Net Assets, constantly monitoring & reporting on current price/trends of NZUs and ensuring action if any quantitative trigger points occur in terms of upper/lower value thresholds.

The risk-free number of NZUs are determined by forest estate modelling of the company's forest growth and forecast harvest profile. This generates forecast future annual carbon sequestration and harvest liability transactions in accordance with the rules of the New Zealand Emission Trading Scheme.

The time period that a NZU is held at nil value to meet future harvest liabilities is from balance date to the projected low point in the company's carbon modelling.

The calculation of Safe carbon is a management estimate based on the best information available at 30 June.

The calculation is dependent on assumptions made in;

- the formation of the future harvest plan,
- an assumption of no change to the current FMA carbon yield tables
- and an estimation of carbon to be derived from a proportion of the post-89 forest area currently un-registered. This is new land either in the registration process or pending registration following planting.

All of these variables are expected to change over time. The calculation is most sensitive to the harvest plan assumptions and the harvest plan can be expected to be modified over time as the forest harvest program is managed to meet market and supply chain operational constraints.

## 7. PROPERTY, PLANT AND EQUIPMENT

| 2026 | FOREST LAND VALUATION | BUILDING COST | ROADS BRIDGES COST | PLANT EQUIPMENT COST | MOTOR VEHICLES COST | OFFICE EQUIPMENT COST | WORK IN PROGRESS COST | RIGHT OF USE ASSET | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost or Valuation** | | | | | | | | | |
| Balance at beginning of year | 125,279 | 419 | 11,073 | 1,769 | 1,379 | 236 | 97 | 1,003 | 141,255 |
| Purchases | 481 | - | 257 | 28 | 11 | 30 | 70 | 181 | 1,058 |
| Revaluation | (10,268) | - | - | - | - | - | | - | (10,268) |
| Disposals/Transfer | - | - | - | (17) | (48) | - | (167) | - | (232) |
| **Balance at end of year** | **115,492** | **419** | **11,330** | **1,780** | **1,342** | **266** | **-** | **1,184** | **131,813** |
| **Accumulated depreciation/impairment** | | | | | | | | | |
| Balance at beginning of year | 1,220 | 275 | 5,887 | 1,198 | 765 | 180 | - | 764 | 10,289 |
| Depreciation | - | 11 | 263 | 103 | 93 | 34 | - | 156 | 660 |
| Net Impairment | 295 | - | - | - | - | - | - | - | 295 |
| Disposals/Transfer | - | - | - | (9) | (33) | - | - | - | (42) |
| | **1,515** | **286** | **6,150** | **1,292** | **825** | **214** | **-** | **920** | **11,202** |
| **BALANCE AT END OF YEAR** | **113,977** | **133** | **5,180** | **488** | **517** | **52** | **-** | **264** | **120,611** |
| Carrying amounts of revalued assets if measured under the cost model | 49,407 | | | | | | | | |

The company has had its land assets independently valued at 30 June 2026 by Morice Limited using the Fair Value approach. Morice Limited is a valuation company used by various other forestry companies. The revaluation movement in the land for the year ended 30 June 2026 was a decrease of $10,563k (devalue to reserve of ($10,268k) plus net impairments of ($295k) (2025 increase of $31,686k). The market value of land decreased during the year reflecting an updated area statement of productive areas. All other asset classes are shown at cost.

The land valuation is based on market data and falls within Level 1 of the fair value hierarchy. The land is valued at the component level and the valuation methodology takes into account the key factors impacting land value such as location, productivity, size, ETS status, altitude, contour, local authority zoning and development potential relative to market evidence. This method is consistent with the previous period.

## ACCOUNTING POLICY

Property plant and equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment, apart from forestry land, are stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

There is no property, plant and equipment whose title is restricted or pledged as security.

**Forestry land** is stated at its revalued amount, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by Morice Limited.

**Self-constructed assets** include the direct c ost of construction to the extent that they relate to bringing the fixed assets to the location and condition for their intended service.

**Revaluations** of forestry land are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statement of financial position date.

Any revaluation increase is credited to the appropriate revaluation reserve, except to the extent that it reverses a revaluation decrease previously recognised as an expense, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously recognised. A decrease in carrying amount arising on the revaluation of such land is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

**Depreciation** is charged so as to write off the cost of assets, other than forestry land on the straight-line basis or diminishing value basis. Rates used have been calculated to allocate the assets cost or valuation less estimated residual value over their estimated remaining useful lives.

Depreciation of these assets commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the term of the relevant lease.

**Depreciation rates and methods used are as follows:**

| | RATE | METHOD |
|---|---|---|
| Freehold buildings | 2% - 5% | Straight Line |
| Roads | 5% - 24% | Diminishing Value |
| Bridges | 2% - 2.4% | Diminishing Value |
| Plant and equipment | 6% - 80.4% | Diminishing Value |
| Fences | 10% - 13% | Diminishing Value |
| Motor vehicles | 9.6% - 36% | Diminishing Value |
| Office equipment | 10% - 60% | Diminishing Value |
| Right of use asset | 33% - 36% | Straight Line |

### Derecognition

Biological assets and property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income via profit or loss in the year the item is derecognised.

## 7. PROPERTY, PLANT AND EQUIPMENT

| 2025 | FOREST LAND VALUATION | BUILDING COST | ROADS BRIDGES COST | PLANT EQUIPMENT COST | MOTOR VEHICLES COST | OFFICE EQUIPMENT COST | WORK IN PROGRESS COST | RIGHT OF USE ASSET | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost or Valuation** | | | | | | | | | |
| Balance at beginning of year | 98,305 | 391 | 10,680 | 1,722 | 1,460 | 227 | 8 | 971 | 113,764 |
| Purchases | 8 | - | 393 | 140 | - | 39 | 97 | 32 | 709 |
| Revaluation | 26,649 | - | - | - | - | - | - | - | 26,649 |
| Disposals/Transfer | 317 | 28 | - | (93) | (81) | (30) | (8) | - | 133 |
| **Balance at end of year** | **125,279** | **419** | **11,073** | **1,769** | **1,379** | **236** | **97** | **1,003** | **141,255** |
| **Accumulated depreciation/impairment** | | | | | | | | | |
| Balance at beginning of year | 6,257 | 235 | 5,624 | 1,188 | 725 | 188 | - | 609 | 14,826 |
| Depreciation | - | 46 | 263 | 96 | 120 | 19 | - | 154 | 698 |
| Net Impairment | (5,037) | (6) | - | - | - | - | - | - | (5,043) |
| Disposals/Transfer | - | - | - | (86) | (80) | (27) | - | - | (193) |
| | **1,220** | **275** | **5,887** | **1,198** | **765** | **180** | **-** | **763** | **10,288** |
| **BALANCE AT END OF YEAR** | **124,059** | **144** | **5,186** | **571** | **614** | **56** | **97** | **240** | **130,967** |
| Carrying amounts of revalued assets if measured under the cost model | 48,925 | | | | | | | | |

## 8. ASSETS HELD FOR SALE

| | Land $'000 | Buildings $'000 | As at 30 June 2026 $'000 |
|---|---|---|---|
| Balance at beginning of year | 1,378 | 1,484 | 2,862 |
| Impairment reversal | - | 88 | 88 |
| Revaluation | - | - | - |
| Disposal/ Transfer | (1,378) | (1,572) | (2,950) |
| **BALANCE AT END OF YEAR** | **-** | **-** | **-** |

Three lifestyle properties were categorised as Assets held for Sale at June 2025. The properties each contained a residence(s) and various farm out buildings. The properties have been subdivided off existing forestry land acquired in prior years. The properties were settled during the financial year.

The impairment reversal recognised of $88k for the sale of one property is shown in comprehensive income under Revenue (note 3).

## 9. EQUITY - SHARE CAPITAL

| Issued Capital | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Balance at the beginning of the year | 15,691 | 15,691 |
| **BALANCE AT END OF YEAR** | **15,691** | **15,691** |

The Company has issued 24,779,775 (2025 24,779,775) ordinary shares and these are fully paid. Fully paid ordinary shares carry 1 vote per share and carry the right to dividends and pro rata share of net assets on winding up of the Company.

## 10. EQUITY

### Forestry Reserve

| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Balance at beginning of the year | 104,275 | 105,329 |
| Biological assets valuation | (7,077) | (1,054) |
| **BALANCE AT THE END OF THE YEAR** | **97,199** | **104,275** |

The forestry reserve arises with the revaluation of the biological assets which is put to the statement of comprehensive income. There is a transfer between retained earnings and the forestry reserve of the revaluation net of deferred taxation.

## Hedging Reserve

| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Balance at beginning of the year | 1,511 | 77 |
| (Loss)/gains on cashflow hedges | (3,762) | 1,434 |
| Hedging gains reclassified to profit or loss | 584 | - |
| **BALANCE AT THE END OF THE YEAR** | **(1,667)** | **1,511** |

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments relating to foreign exchange transactions that have not yet occurred. The hedging gains/losses reclassified to profit or loss during the year are included in financial expense in the statement of comprehensive income.

## Land Revaluation Reserve

| | | |
|---|---|---|
| Balance at beginning of the year | 77,369 | 50,721 |
| Forestry land revaluations | (10,581) | 26,648 |
| **BALANCE AT THE END OF THE YEAR** | **66,788** | **77,369** |

The land revaluation reserve records movements in the fair value of land.

## Carbon Credit Reserve

| | | |
|---|---|---|
| Balance at beginning of the year | 36,237 | 32,241 |
| (Loss)/gain in carbon credits above initial recognition value | (2,747) | 7,852 |
| Transfer to retained earnings re sale of carbon credits | (6,769) | (3,856) |
| **BALANCE AT THE END OF THE YEAR** | **26,721** | **36,237** |

The carbon credit reserve records movements in the fair value of carbon credits. The amount held in the reserve is net of deferred tax where relevant. Any value above initial recognition is held in the Carbon Credit revaluation reserve.

## 11. RETAINED EARNINGS

| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| **Balance at the beginning of the year** | **39,824** | **38,342** |
| Net (loss)/profit for the year | (2,245) | 9,706 |
| Dividend distributions | (7,710) | (13,134) |
| Transfer from forestry reserve | 7,077 | 1,054 |
| Transfer from carbon reserve | 6,769 | 3,856 |
| **BALANCE AT THE END OF THE YEAR** | **43,715** | **39,824** |

## Currency derivatives

### Currency Risk

At 30 June 2026, the Company held USD 1,259,690 (NZD 2,224,815) (2025 USD 681,350 (NZD 1,121,563)) in cash and cash equivalents. Consequently, the Company is exposed to currency risk in relation to movements in the NZD/USD exchange rate, which may affect the reported value of those balances.

The Company manages risk associated with exchange rate fluctuations through the use of currency derivatives to hedge significant future export sales. The foreign exchange policy of City Forests Limited allows foreign exchange forward contracts and options in the management of its exchange rate exposures. The instruments purchased are only against the currency in which the exports are sold.

For hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the company performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates. The company uses the hypothetical derivative method for the hedge effectiveness assessment and measurement of hedge ineffectiveness. This is a simplified approach because the currency of the exposure and hedging instruments perfectly match, and the company excludes from the designation the foreign currency basis spread.

At balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which City Forests Limited is committed are as follows:

| Outstanding Contracts | Average exchange rate | Foreign currency | Contract value | Fair value | Fair value |
|---|---|---|---|---|---|
| | 2026 | 2026 FC'000 | 2026 NZD'000 | 2026 NZD'000 | 2025 NZD'000 |
| **Cashflow hedges Sell USD** | | | | | |
| Current | .5964 | 16,600 | 27,801 | (1,267) | 811 |
| Non-current | .5892 | 26,200 | 44,425 | (1,048) | 1,288 |
| | | | | **(2,315)** | **2,099** |

| 2026 | <1 yr | 1-2 yrs | 2-3 yrs | 3-4 yrs | 4-5 yrs | 5 yrs | Total |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | |
| Trade and other receivables | 1,885 | - | - | - | - | - | 1,885 |
| Derivative financial instruments | 3,563 | - | 3,152 | 350 | - | - | 7,065 |
| | **5,448** | **-** | **3,152** | **350** | **-** | **-** | **8,950** |
| **Financial Liabilities** | | | | | | | |
| Trade and other payables | 3,187 | - | - | - | - | - | 3,187 |
| Derivative financial instruments | 24,238 | 26,002 | 14,920 | - | - | - | 65,160 |
| Borrowings | - | - | - | - | - | 48,500 | 48,500 |
| | **27,425** | **26,002** | **14,920** | **-** | **-** | **48,500** | **116,847** |

| 2025 | <1 yr | 1-2 yrs | 2-3 yrs | 3-4 yrs | 4-5 yrs | 5 yrs | TOTAL |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | |
| Trade and other receivables | 3,682 | - | - | - | - | - | 3,682 |
| Derivative financial instruments | 26,987 | 24,213 | 13,545 | 2,041 | - | - | 66,786 |
| | **30,669** | **24,213** | **13,545** | **2,041** | **-** | **-** | **70,468** |
| **Financial Liabilities** | | | | | | | |
| Trade and other payables | 3,646 | - | - | - | - | - | 3,646 |
| Derivative financial instruments | 621 | 3,247 | 326 | - | - | - | 4,194 |
| Borrowings | - | - | - | - | - | 54,000 | 54,000 |
| | **4,267** | **3,247** | **326** | **-** | **-** | **54,000** | **61,840** |

Under NZ IFRS 9, all the financial assets and liabilities are measured at fair value through profit and loss, or fair value through OCI on the basis of the Company's business model for management of the financial instrument and the contractual cash flow characteristics thereof the financial instrument.

The company's risk management policy is to hedge a portion of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 60-month period. The company uses forward exchange contracts to hedge its current risk, most with a maturity of less than 16 months from the reporting date. These contracts are designated as cash flow hedges.

The following parameters are used:

| | |
|---|---|
| 0-12 months | 40-100% |
| 13-24 months | 25-75% |
| 25-36 months | 0-50% |

Apart from investments and derivative financial instruments, the company's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables, accruals and term borrowings continue to be measured at amortised cost as they meet the conditions under IFRS 9.

Under NZ IFRS 9, the new impairment model requires the recognition of impairment provisions based on expected credit losses. It applies to financial assets classified at amortised cost. The introduction of the new impairment model has had no impact on the Company's financial assets classified as measured at amortised cost. For trade and other receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Based on the assessment undertaken, no adjustment was required on transition.

## Impairment of Financial Assets

The Company has financial assets that are subject to the expected credit loss model:

- Trade receivables for sales of goods

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

### *Trade Receivables*

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Company identifies increased debtor terms and accordingly adjusts the historical loss rates based on expected changes in these factors. All debtors have been used for the expected loss calculation.

On that basis, the loss allowance as at 30 June 2026 was determined as follows:

| 30 June 2026 | Current | More than 30 days past due | More than 60 days past due | More than 120 days past due | Total $'000 |
|---|---|---|---|---|---|
| Expected loss rate | 0.0% | 0.0% | 0.0% | 0.0% | $'000 |
| Gross carrying amount – | 1,812 | 63 | - | - | 1,875 |
| Trade receivables | - | - | - | - | - |
| Loss allowance | - | - | - | - | - |

| 30 June 2025 | | | | | |
|---|---|---|---|---|---|
| Expected loss rate | 0.0% | 0.0% | 0.0% | 0.0% | |
| Gross carrying amount – | 1,085 | 2,409 | - | 177 | 3,671 |
| Trade receivables | - | - | - | - | - |
| Loss allowance | - | - | - | - | - |

### *Liquidity Risk*

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

### *Credit Risk*

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

## Sensitivity Analysis

Based on historic movements and volatilities the following movements are reasonably possible over a twelve-month period:

- Proportional foreign exchange rate movement of -10% (depreciation of NZD) and a +10% (appreciation of the NZD) against the USD, from the year end rate of .5662.

Should these movements occur, the impact on profit and loss and equity for each category of financial instrument held at balance date is presented below. The movements are illustrative only.

| | Notional Value | Foreign exchange | | | |
|---|---|---|---|---|---|
| | $'000 | -10% | | +10% | |
| | | Equity | Profit | Equity | Profit |
| **Financial Assets** | | | | | |
| Derivatives<br>Currency Hedges – Sell USD | 72,226 | (5,963) | - | 4,879 | - |
| Other Financial Assets | 48 | - | 5 | - | (4) |
| **Total increase/(decrease)** | | **(5,963)** | **5** | **4,879** | **(4)** |

1. Accounts receivable within City Forests Limited include $.48 million of USD denominated receivables at year end.
2. Derivatives subject to the hedge accounting regime are managed by the Company to be 100% effective and thus there is no sensitivity to equity change in either interest rates or exchange rates.
3. The carrying value of the derivative has been calculated based on rates on each individual contract.

## Fair value of financial instruments

Fair value measurements recognised in the statement of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

**Level 1** Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

**Level 3** Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | 2026 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | TOTAL |
| | NZ $'000 | NZ $'000 | NZ $'000 | NZ $'000 |
| **Financial Assets** | | | | |
| Derivative financial assets | - | 91 | - | 91 |
| | - | **91** | **-** | **91** |
| **Financial Liabilities** | | | | |
| Derivative financial liabilities | - | 2,406 | - | 2,406 |
| | **-** | **2,406** | **-** | **2,406** |

| | 2025 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | TOTAL |
| | NZ $'000 | NZ $'000 | NZ $'000 | NZ $'000 |
| **Financial Assets** | | | | |
| Derivative financial assets | - | 2,142 | - | 2,142 |
| | - | **2,142** | **-** | **2,142** |
| **Financial Liabilities** | | | | |
| Derivative financial liabilities | - | 43 | - | 43 |
| | **-** | **43** | **-** | **43** |

## ACCOUNTING POLICY

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and commodity prices. The Company uses foreign exchange forward contracts to hedge these exposures.

The Company does not use derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, are accounted for as trading instruments with fair value gains/losses being taken directly to the statement of comprehensive income via other comprehensive income.

The use of financial derivatives is governed by the Company's policy approved by the board of Directors. The policies provide written principles on the use of financial derivatives.

Derivative financial instruments are recognised at fair value on the date that the derivative is entered into and are subsequently remeasured to their fair value. The fair value on initial recognition is the transaction price. Subsequently fair values are based on independent bid prices quoted in active markets as provided to us by our banker counter parties.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the statement of comprehensive income via profit or loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the statement of comprehensive income via other comprehensive income in the same year in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the statement of comprehensive income via other comprehensive income. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in the statement of comprehensive income via other comprehensive income.

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge relationship is more than twelve months and as a current liability if the remaining maturity of the hedge relationship is less than twelve months.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of comprehensive income via profit or loss as they arise. Derivatives not designated for effective hedge relationship are classified as current assets or liabilities.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of comprehensive income via profit or loss for the year.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required.

## 13. TERM BORROWINGS



| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Dunedin City Treasury loan | 48,500 | 54,000 |
| | 48,500 | 54,000 |

There is no security over the Dunedin City Treasury loan. This loan facility is $60m (2025 $60m) evergreen.

The effective rate of interest for the Dunedin City Treasury Limited loan facility, ranged between 3.75% and 4.25% (2025 3.97% – 4.80%).

All borrowings are provided under a facility agreement with Dunedin City Treasury Limited (DCTL), a related party of the Company. DCTL provides corporate treasury services to Dunedin City Council (DCC), Dunedin City Holdings Limited (DCHL) and its subsidiaries. DCTL sources external debt and on-lends to DCC and the council-controlled organisations based on an average cost of borrowings. The borrowings are not required to be repaid provided the borrower is not in default and continues to meet the terms of the borrowing. The borrower may repay principal balances at any time.

DCTL contractually resets interest rates every quarter. The fixed interest rate reflects the internal borrowing rate index of DCTL for the interest period. At the end of the financial year, or sooner if necessary, a retrospective interest rate adjustment is calculated to ensure that the effective rate charged to borrowers for the period reflects the actual costs of DCTL.

The Company has assessed that the fair value of borrowings on initial recognition is the face value. The interest rate set by DCTL is considered a market rate as it is based on an internal borrowing index for a fixed interest period. Debt is sourced by DCTL on ordinary commercial terms, arranged by major trading banks. DCTL also borrows from the Local Government Funding Agency (LGFA). DCTL has a credit rating equal to that of DCC and has assessed the same level of credit risk for all borrowers within the DCC group since they are ultimately owned by DCC and rely on their underlying support in a stress scenario. Accordingly, DCTL does not apply different credit spreads to different borrowers.

For the reasons noted above, the Company continues to deem it appropriate to measure its loan from DCTL at amortised cost.

Directors estimate the fair value of the Company's borrowings, by discounting their future cash flows at the market rate, to be as follows:

| | | |
|---|---|---|
| Multi-option note facility | 48,500 | 54,000 |

The repayment period on the term borrowings is as follows:

| | | |
|---|---|---|
| Current | - | - |
| Non Current | 48,500 | 54,000 |
| | **48,500** | **54,000** |

### ACCOUNTING POLICY

**Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the statement of comprehensive income via profit or loss using the effective interest method.**

## 14. INCOME TAX

| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Net (loss)/profit from continued operations | (3,161) | 11,468 |
| **(Loss)/profit before income tax** | **(3,161)** | **11,468** |
| Tax thereon at 28% | (885) | 3,211 |
| PLUS/(LESS) THE TAX EFFECT OF DIFFERENCES | | |
| Expenditure not deductible for taxation | 82 | 3 |
| Income not assessable for taxation | (113) | (1,410) |
| Under / (over) tax provision in prior years | - | (15) |
| Deferred tax on buildings adjustment | - | (26) |
| **Tax effect of differences** | **(31)** | **(1,449)** |
| **Tax expense** | **(916)** | **1,762** |
| TAX EXPENSE MADE UP AS FOLLOWS: | | |
| Continued operations | (916) | 1,762 |
| | **(916)** | **1,762** |
| Effective tax rate | 29% | 15.4% |
| REPRESENTED BY | | |
| Current tax provision | 4,151 | 3,115 |
| Tax on carbon credits sold | (2,639) | (1,503) |
| Deferred tax provision | (2,425) | 192 |
| Prior period Current tax adjustment | (11) | (21) |
| Prior period Deferred tax adjustment | 8 | (21) |
| | **(916)** | **1,762** |

### Tax Rate

The tax rate used in the above calculation is the corporate tax rate of 28% payable by New Zealand corporate entities on taxable profits under New Zealand law.

The Company is part of a consolidated tax group and therefore does not maintain its own imputation credit account.

### ACCOUNTING POLICY

**The tax expense represents the sum of the tax currently payable and deferred tax.**

**The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income via profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the statement of financial position date.**

## 15. DEFERRED TAX LIABILITIES AND ASSETS



| 2026 | OPENING BALANCE SHEET | CHARGED TO EQUITY | CHARGED TO INCOME | CLOSING BALANCE SHEET ASSETS | LIABILITIES | NET |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Property, plant and equipment | 215 | - | 48 | - | 263 | 263 |
| Employee provisions | (99) | - | 9 | (90) | - | (90) |
| Forest | 40,551 | - | (2,752) | - | 37,799 | 37,799 |
| Capitalised forestry costs | 12,888 | - | 269 | - | 13,158 | 13,158 |
| Revaluations of foreign exchange contracts | 587 | (1,236) | - | (649) | - | (649) |
| Revaluation of carbon credits | 14,111 | (3,701) | - | - | 10,410 | 10,410 |
| Other | (9) | - | 10 | - | 1 | 1 |
| **Balance at the end of the year** | **68,245** | **(4,937)** | **(2,416)** | **(739)** | **61,631** | **60,892** |

| 2025 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 257 | - | (42) | - | 215 | 215 |
| Employee provisions | (92) | - | (7) | (99) | - | (99) |
| Forest | 40,961 | - | (410) | - | 40,551 | 40,551 |
| Capitalised forestry costs | 12,246 | - | 642 | - | 12,888 | 12,888 |
| Revaluations of foreign exchange contracts | 30 | 557 | - | - | 587 | 587 |
| Revaluation of carbon credits | 12,530 | 1,581 | - | - | 14,111 | 14,111 |
| Other | 3 | - | (12) | - | (9) | (9) |
| **Balance at the end of the year** | **65,935** | **2,138** | **172** | **(99)** | **68,344** | **68,245** |

### ACCOUNTING POLICY

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income via profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## 16. RELATED PARTY TRANSACTIONS

### Transactions with Dunedin City Council Group

The Company purchased goods and services and traded with Dunedin City Council Group in respect of the following transactions:

| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| **Purchases of goods and services from the Dunedin City Council:** | | |
| Rates and property rentals | 43 | 40 |
| Other | 2 | 3 |
| | **45** | **43** |
| **Charges of goods and services to the Dunedin City Council:** | | |
| Chinese New Year costs | 1 | 1 |
| **Purchases of goods and services from Delta Utility Services Limited:** | | |
| Roading & Earthmoving Services | 13 | - |
| **Dunedin City Holdings Limited** | | |
| Normal dividends | 710 | 3,134 |
| Special dividend | 7,000 | 10,000 |
| | **7,710** | **13,134** |
| **Subvention payments/tax compensation** | | |
| Dunedin Stadium Property Limited | 3,104 | 1,776 |
| Aurora Energy Limited | - | (9) |
| | **3,104** | **1,767** |

Subvention payments are calculated based on the tax effect of the losses utilised.

| | | |
|---|---|---|
| **Loan from Dunedin City Treasury Limited** as at balance date | 48,500 | 54,000 |
| Loans paid during the year | 9,800 | 8,200 |
| Loans received during the year | 4,300 | 11,500 |
| Interest payable to Dunedin City Treasury Limited as at balance date | 120 | 105 |
| Interest receivable from Dunedin City Treasury Limited as at balance date | 10 | 11 |
| Interest paid during the year | 2,093 | 2,114 |
| Interest rebate received | (19) | (27) |
| Net interest | 2,074 | 2,087 |

| Other related party transactions | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Samiam Notas Limited – Scott A Mason, Chairman | 82 | 75 |
| Primeport Timaru Limited – Phillip Melhopt | 41 | 38 |
| Southern Wood Council – Grant Dodson | 2 | 5 |
| Forest Owners Association – Grant Dodson | 5 | 9 |
| Orokonui Ecosanctuary – Selwyn Chalmers | 40 | 30 |
| Predator Free Dunedin – Selwyn Chalmers | 125 | 60 |
| Radiata Pine Breeding Company – Selwyn Chalmers | 23 | 21 |

## Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was:

| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Salaries and Short-term benefits | 1,477 | 1,403 |
| | **1,477** | **1,403** |

The remuneration of Directors is agreed annually by Dunedin City Holdings Limited in accordance with the policies that it sets from time to time. The remuneration of management is determined on the recommendation of the board committee having regard to the performance of individuals and market trends.

## 17. RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES

| | As at 30 June 2026 $'000 | As at 30 June 2025 $'000 |
|---|---|---|
| Net (loss)/profit for the year | (2,245) | 9,706 |
| *Items Not Involving Cash Flows* | | |
| Depreciation | 680 | 702 |
| Depreciation recovered | (94) | (15) |
| Net loss on assets | 176 | 10 |
| Depletion of forest (cost of bush) | 11,333 | 10,673 |
| Deferred tax | (2,416) | 172 |
| Biological assets revaluation | (66) | (7,422) |
| Write (up)/down value of land/building for sale | 207 | (5,043) |
| Interest portion of lease liability | 6 | 7 |
| Net foreign exchange difference | 59 | 949 |
| Deferred tax movement to reserve | (2,639) | (1,504) |
| OTHER NON-CASH ITEMS | | |
| *Impact of Changes in Working Capital Items* | | |
| Decrease/(Increase) in accounts receivable | 1,797 | (725) |
| (Increase) in inventories | (1,515) | (732) |
| (Increase)/Decrease in prepayments | (9) | 19 |
| Increase/(Decrease) in tax due | 1,036 | 1,327 |
| (Decrease)/Increase in accounts payable | (403) | 48 |
| (Decrease) in other current liabilities | (68) | (43) |
| Increase/(Decrease) in other current assets | 438 | (283) |
| **Net cash inflows/(outflows) from operating activities** | **6,277** | **7,846** |

## 18. CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2026 the Company has capital commitments of nil (2025 $1,050,000).

## 19. CONTINGENT ASSETS OR LIABILITIES

In future years there will be a carbon credit liability against a proportion of the carbon credits sequestered from post-1989 forest areas in accordance with New Zealand Emission Trading Scheme Regulations. A proportion of carbon sequestered from Post-1989 areas will have to be surrendered to compensate for the carbon liability generated from harvesting those forest areas. As at 30 June 2026 and similar to 30 June 2025, the value of the potential liability in future years is not known with sufficient certainty to be classified as a Contingent Liability due to the variations in the harvesting schedule, carbon reporting periods and the value of carbon to surrender. (2025 $nil.) There are no other contingent assets. (2025 $nil).

## 20. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES



| 2026 | 2026 $'000 | Cashflow $'000 | Non cash changes: Capitalised Interest $'000 | Non cash changes: Foreign Exchange Movement $'000 | Non cash changes: Fair Value Changes $'000 | 2026 $'000 |
|---|---|---|---|---|---|---|
| Long term borrowings | 54,000 | (5,500) | - | - | - | 48,500 |
| | **54,000** | **(5,500)** | **-** | **-** | **-** | **48,500** |

| 2025 | 2025 $'000 | Cashflow $'000 | Non cash changes: Capitalised Interest $'000 | Non cash changes: Foreign Exchange Movement $'000 | Non cash changes: Fair Value Changes $'000 | 2025 $'000 |
|---|---|---|---|---|---|---|
| Long term borrowings | 50,700 | 3,300 | - | - | - | 54,000 |
| | **50,700** | **3,300** | **-** | **-** | **-** | **54,000** |

## 21. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred subsequent to balance date. (2025 Properties shown as assets held for sale were conditionally contracted for sale at balance date).

# Statement Of Service Performance

## For the Year Ended 30 June 2026

The principal activities of the Company are the growing, harvesting, processing and marketing of forest products from plantations it owns.

| | PERFORMANCE MEASURE | OUTCOME |
|---|---|---|
| 1a. | The Company will achieve a 5.5% return (or greater) on shareholders' funds measured on a post-tax 3 year rolling average basis | Three year rolling average return on shareholders' funds is 1.6%. Results are impacted by estate wind damage, fuel costs and cyclical lows in the international economic cycle. |
| 1b. | A review of the Company's long term strategic plan will be completed each year, which targets a 5.5% return (or greater) on shareholders' funds measured on a post-tax 3 year rolling average basis. | Strategy day held on 24th March 2026. The Company's long term strategic plan was reviewed and adopted by the shareholder during the annual budget and statement of intent process. Due to market conditions the plan incorporates a below target return on shareholders' funds of; 1.7% for the first 3 years measured on a forecast 3 year rolling average basis. |
| 2a. | The number of domestic regional markets and the number of export markets (countries) supplied will be tracked and reported. | Domestic regional markets and the number of export markets supplied are tracked and reported. Export markets included South Korea, China, Japan, Vietnam, Thailand and Indonesia. |
| 2b. | The percentage of annual supply to the domestic market by volume will be tracked. | Domestic log production was 29% by volume. (26% last year). |
| 2c. | The Company will participate in the New Zealand ETS and may realise returns from the sales of carbon stored in the Company forests in compliance with its Carbon Policy. | The Company continues to participate in the ETS. Carbon sales were made during the year of 200,000 units. The Company was compliant with its Carbon Policy. |
| 3a. | The Company's annual harvest volumes as detailed in the strategic plan will be within 30% of projected long term sustainable yield. | The annual harvest from the Company Forest estate during the year was 409,407m3 including additional billet wood and slash recovered. This is 114.7% of plan volume of 356,966m3 which was the FY2026 sustainable harvest level.<br>Sustainable harvest levels in the long-term strategic plan for the next 3 years are; 373k m3, 373k m3 and 373k m3. This is the updated sustainable harvest level. |
| 3b | A forest Bio-security surveillance program will be in place as part of the National Bio-security surveillance program to assess the forest estate for pests and diseases. | The City Forests, forest health surveillance program was conducted during the 2025 – 2026 year and a report received. |
| 3c. | The annual fire plan will be updated and operational by 1 October for each fire season. | Fire plan update was completed and distributed in September 2025 prior to the start of the fire season. |

| | PERFORMANCE MEASURE | OUTCOME |
|---|---|---|
| 3d. | The Company will actively participate in regional land use and environmental planning processes representing its interests and values. | The Company has been active submitting into the ORC land and water plan change process and the National Environmental Standard – Commercial Forestry. |
| 3e. | Forest Access permit system, appropriate signage and access restrictions in place. | The Company runs a forest access permit issuance system to restrict access to its forests. Appropriate signage and forest gates are installed at forest access points. |
| 4a. | The Company will participate in industry research consortia (via the Forest Levy) to ensure research objectives are in line with Company Strategy and to gain financial leverage to achieve research objectives. | The Company has paid the Forest Growers Levy. Two staff are members of committees (through Forest Owners Association) which are part of the process of allocating levy research funds. The Company Forest Levy contribution is pooled with industry and Government funds achieving considerable financial leverage enabling research to be undertaken. |
| 4b. | The implementation of research outcomes into operational management plans will be tracked. | Management plans are updated to reflect current management practices which are informed by research outcomes, i.e. Poison and mechanised thinning implementation with reporting and tracking of operational progress to Board. |
| 5a. | The Company will maintain supply arrangements with Otago and Southland wood processors provided customers match (or better) alternative supply options. Annual supply volumes to the three largest wood processors customers will be tracked and reported. | Otago and Southland wood processors receive supply volumes in accordance with the annual plan. Pricing is negotiated each quarter. Customers have been given the option to decline or reduce supply if they are unable to match returns from alternative supply options (log export).<br>Major wood processors were suppled the following volumes during the period:<br>Pan Pac: 43,622m3<br>Daiken: 34,687m3<br>Pioneer Energy: 9,915m3 |
| 5b. | The annual volume of wood supplied for bio-energy uses (including firewood) will be tracked and reported. | Bio-energy supply: 23,290m3 |
| 6a. | Lost time accident rates for staff and contractors will be minimised and tracked with a target of less than 15 lost time accidents per 1,000,000 hours worked. | 12 month rolling lost time accident rate for staff and forest contractors was 12.4 lost time injuries per 1,000,000 hours. |

| | PERFORMANCE MEASURE | OUTCOME |
|---|---|---|
| 6b. | The Company will undertake drug and alcohol testing of its staff and contract workforce. The number of random tests and percentage of positive random tests will be reported. | 80 random tests were conducted during the period. 2.5% of tests were recorded as positive. |
| 6c. | Forest Stewardship Council Certification of the Forest Estate will be maintained. (Currently FSC®) | Forest Stewardship Council Certification was maintained following audit in 2025. |
| 6d. | The Company will work with partners Doc, University of Otago & contractors to maintain and enhance RT&E species on and around the Company estate. Sponsorship amounts for these activities will be reported annually. | Sponsorship of $40,000 to Orokonui Eco-Sanctuary, $65,000 to Predator Free Otago, and $10,000 to Dunedin Wildlife Hospital, to contribute towards conservation of rare threatened and endangered (RT&E) species on and around the Company estate. |
| 7a. | The Company will verify employees are trained or under training for the tasks they perform. | The Company and its contractors verify in their monthly reporting the staff are trained for tasks they carry out. |
| 7b. | The Company will engage with its contractors to participate in Modern Apprenticeship programs. The number of apprentices working in the Company operations will be reported each year. | At 30 June 2026 two modern apprentices were employed in Company operations. |
| 8a. | The Company will maintain a forest access permit system, track and report on forest recreational use statistics. | Recreation use is monitored through forest access permit issuance. 271 forest access permits were issued during the year. |
| 9a. | Productivity improvement and incremental expansion of the forest estate will be part of Company Strategy. The area of acquired land will be reported annually. | The company had one land settlement during the period. |
| 9b. | Any such matters were escalated to the shareholder in a timely manner.<br>*The objective of the performance measure is to consult with the shareholder in a timely manner on DCHL Group strategic or operational matters which could compromise the Council's community outcomes. | No significant issues arose that would compromise Council community outcomes, however communication channels were maintained with the shareholder such that the shareholder is well informed of Company activities. |
| 9c. | Any such matters were reported to the shareholder within 24 hours.<br>*The objective of the performance measure is to report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage. | A number of media interactions occurred throughout the period and the shareholder and board were communicated to within 24 hours informing them of the matter. |

| | PERFORMANCE MEASURE | OUTCOME |
|---|---|---|
| 9d. | Ensure that all direct employees are paid at the living wage or above. | All staff remuneration is greater than the living wage. |
| 9e. | Measure and publicly report in our Annual Report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets. | The carbon emission and waste reduction strategy (2022-2030) has been established. GHG emissions are measured and reported. The strategy does not contain quantified reduction targets for FY2026. |

| | FINANCIAL FORECASTS | $'000 | ACTUAL | $'000 |
|---|---|---|---|---|
| 10a | EBITDA | 10,500 | EBITDA | (558) |
| 10b | Net Profit after tax | 5,800 | Net Profit after tax | (2,245) |
| 10c | Shareholders' funds to total assets | 66.8% | Shareholders' funds to total assets | 67.5% |
| 10d | Normal Dividend | 1,900 | Normal Dividend | 710 |
| 10e | Special Dividend | 7,000 | Special Dividend | 7,000 |
| 10g | Cashflow from Operations | 2,100 | Cashflow from Operations | 6,277 |
| 10h | Capital expenditure | 1,600 | Capital expenditure | 829 |
| 10i | Term borrowings | 49,700 | Term borrowings | 48,500 |
| 10j | Shareholders funds | 237,200 | Shareholders funds | 248,445 |

The 3-year average return on equity (closing equity + dividends less opening equity/opening equity) has been calculated as 5.9% for 2026 (2025: 5.4%).

EBITDA & NPAT is below forecast as a result of four factors. Firstly the October 2025 wind event that damaged 532ha of the estate, secondly increased operational costs as a result of the wind event and the Iran War fuel crisis, third a devaluation of forest land as a result of market factors and fourth a devaluation of forest crop value as a result of the wind damage and general market factors. Term borrowings were less than forecast as, in accordance with its dividend policy, the Company did not pay a normal dividend. A special dividend was paid as forecast funded by planned sales of the carbon asset.

# Independent Auditors Report

For the Year Ended 30 June 2026

The Audit Office
Te Mana Arotake

**Independent Auditor's Report**

**To the readers of City Forests Limited's financial statements and performance information for the year ended 30 June 2026**

The Auditor-General is the auditor of City Forests Limited (the Company). The Auditor-General has appointed me, Chantelle Gernetzky, using the staff and resources of The Audit Office, to carry out the audit of the financial statements and performance information on his behalf.

## Opinion

We have audited:

- the financial statements of the Company that comprise the statement of financial position as at 30 June 2026, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include material accounting policy information and other explanatory information on pages 32 to 65; and
- the performance information that consists of the statement of service performance for the year ended 30 June 2026 on pages 66 to 69.

In our opinion:

- the financial statements of the Company present fairly, in all material respects, its financial position as at 30 June 2026 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures adopted for the year ended 30 June 2026 and has been prepared, in all material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

# Independent Auditors Report

For the Year Ended 30 June 2026

### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors for the financial statements and performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and comply with New Zealand equivalents to International Financial Reporting Standards. The Board of Directors is also responsible for preparing the performance information contained in the statement of service performance of the Company in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and performance information the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

### Responsibilities of the auditor for the audit of the financial statements and performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

# Independent Auditors Report

For the Year Ended 30 June 2026

We did not evaluate the security and controls over the electronic publication of the financial statements and performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We evaluate the overall presentation, structure and content of the performance information, including the disclosures, and assess whether the performance information achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives in its statement of intent.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

# Independent Auditors Report

For the Year Ended 30 June 2026

### Other information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and performance information consisting of statement of performance, and our auditor's report thereon.

Our opinion on the financial statements and performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

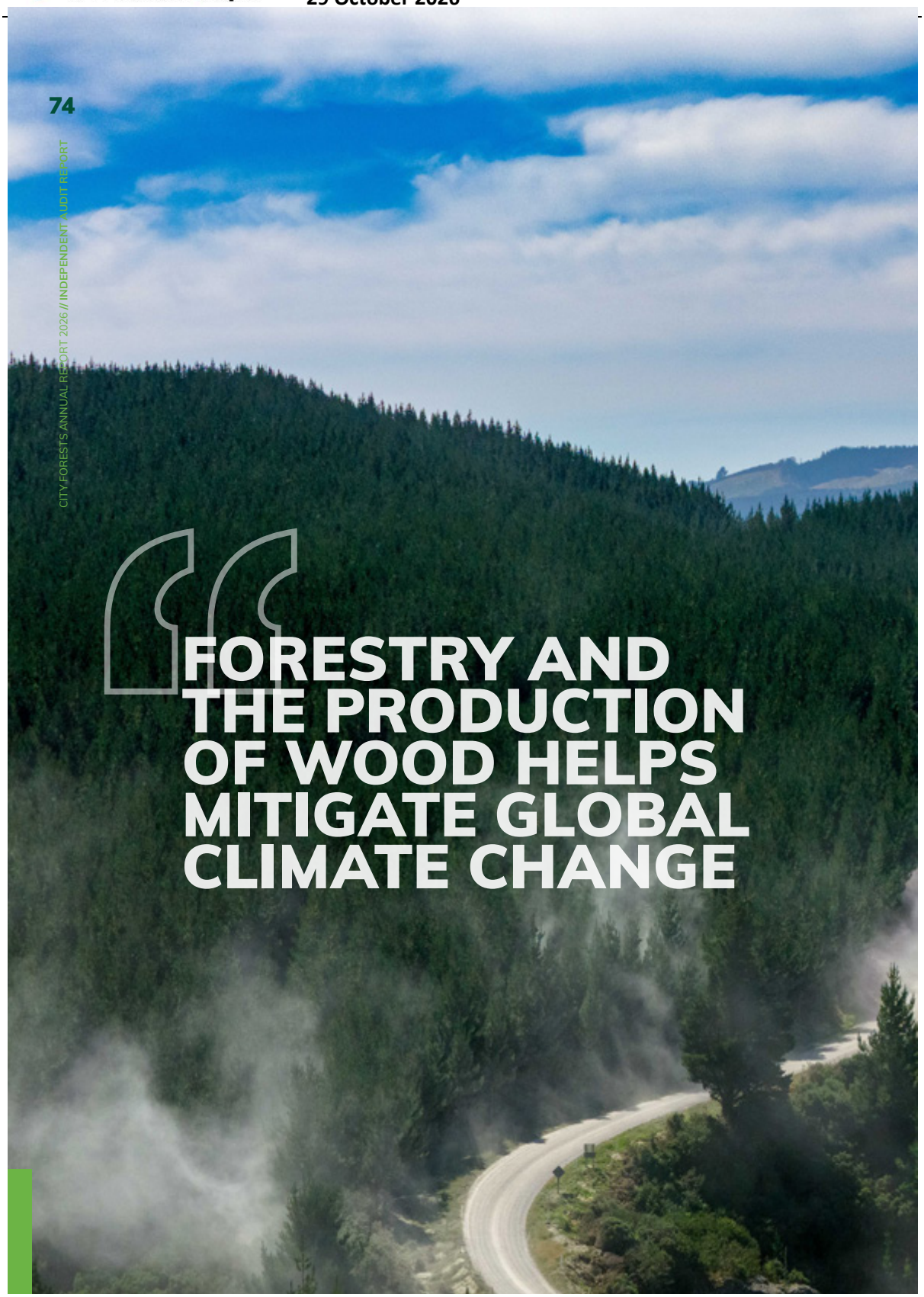
In connection with our audit of the financial statements and performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and performance information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Independence

We are independent of the Company in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Company.

Chantelle Gernetzky
The Audit Office
On behalf of the Auditor-General
Christchurch, New Zealand
22 September 2026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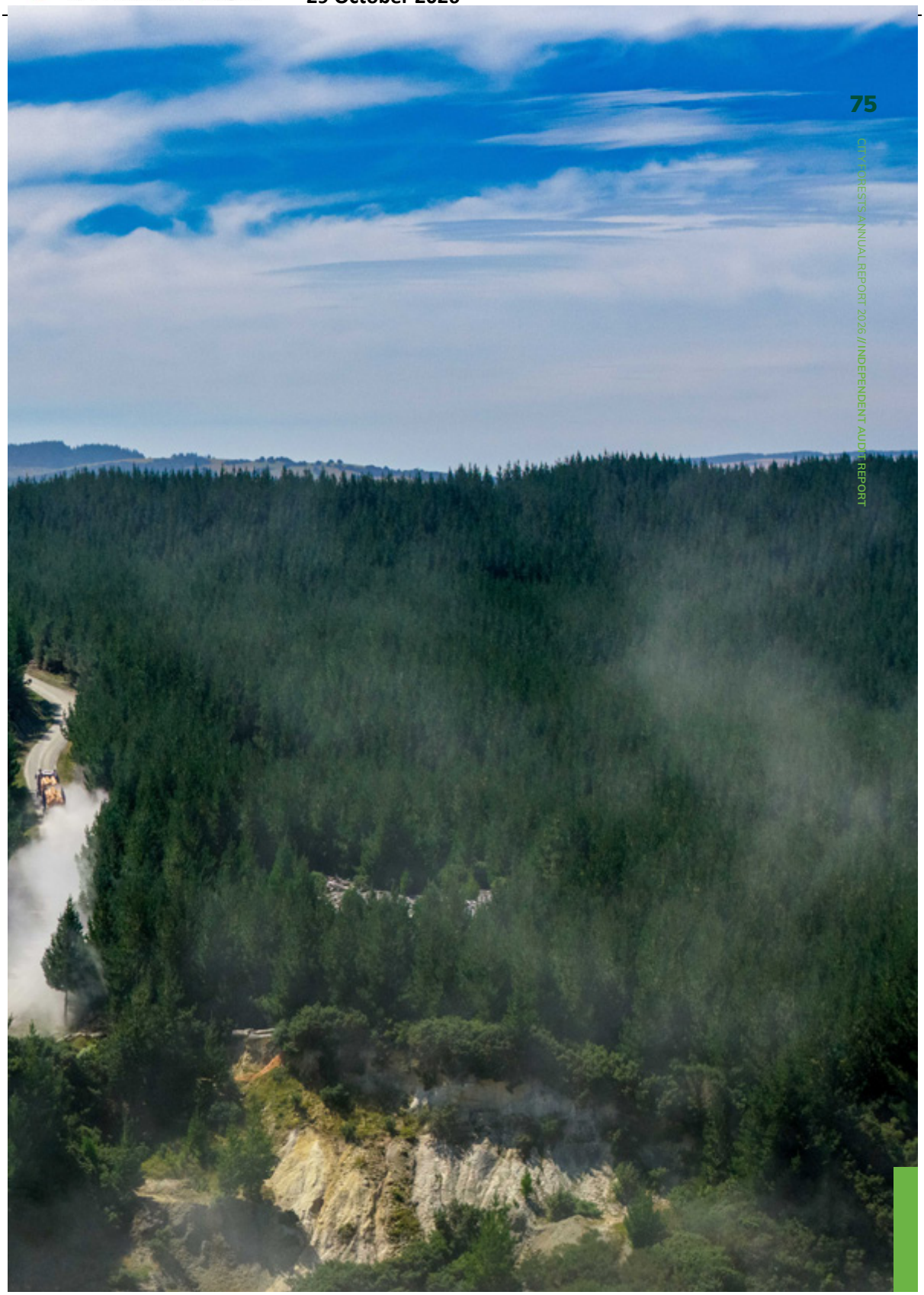
CITY FORESTS ANNUAL REPORT 2026 // INDEPENDENT AUDIT REPORT
FORESTRY AND THE PRODUCTION OF WOOD HELPS MITIGATE GLOBAL CLIMATE CHANGE



City Forests
www.cityforests.co.nz

# ANNUAL REPORT 2026

DELTA
THINK.INFRASTRUCTURE

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# WE ARE DELTA

At Delta, we make communities better for people to live, work and play in – keeping the lights on, the trees trimmed and the parks green.

## WHAT WE DO

Delta is an infrastructure specialist providing a range of contracting services to local authority and private sector customers. We construct, manage and maintain essential energy and community infrastructure. Headquartered in Dunedin, with depots in Nelson, Rangiora, Christchurch, Cromwell, Alexandra, Wānaka, Queenstown and Auckland.

## OUR VALUES

*DO IT FIRST.*

*DO IT RIGHT.*

*DO IT TOGETHER.*

## OUR VISION

Great people shaping better communities together.

## OUR PURPOSE

Local professionals with innovative ideas, passionate about serving our communities.

# CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

for year ended 30 June 2026

Delta's performance during the financial year ended 30 June 2026 (FY26) reflected a period of consolidation and strong operational delivery. The broader economic environment remained challenging with ongoing inflationary pressures and tighter customer spending. Fluctuating work volumes and contract variability tested forecasting and resourcing efforts. Despite these challenges Delta responded with experience and resilience, maintaining a clear focus on delivering safe, high-quality services, guided by its commitment to people, communities, and sustainability.

Throughout the year, we placed greater focus on improving how we plan, deliver and monitor our work. Stronger financial discipline, better operational visibility and more informed decision-making helped build a more resilient business while maintaining the high standards our customers expect. These improvements were not simply about financial performance; they were about providing a solid foundation for Delta to invest in its people, maintain service quality and respond well to future demands.

While there is always more to do, FY26 leaves Delta in a better position than it began. The progress made this year gives us greater confidence in the business and a strong base for the next stage of Delta's development.

## *FINANCIAL HIGHLIGHTS*

Delta returned a very pleasing Net Profit After Tax of $5.8 million in FY26. This is well up from the $2.1 million generated in FY25. Earnings before interest, tax and depreciation were $13.8 million, an increase of $3.9 million from the prior year. The improved performance was driven by increased operating revenue of $132 million, up from the $130 million of the prior year, along with increased operational efficiencies, disciplined cost management and reliable service delivery.

Cashflows from operations at $13.9 million were well ahead of the $5.7 million from FY25. Net assets finished the year at $31.7 million, an increase of $3.3 million over the $28.4 million as at 30 June 2025.

The return on Shareholders' funds was 18%, a very good improvement on the 7% from FY25 and well ahead of the 10% Statement of Intent target.
We were very pleased to pay total dividends for the year of $2.5 million, slightly ahead of the target of $2.25 million indicated in the Statement of Intent.

## *OPERATIONAL ACHIEVEMENTS*

Delta continued to deliver essential electrical contracting services across the Aurora Energy and Network Tasman networks, including the former Nelson Electricity network following its acquisition by Network Tasman. The Power and Communication Services (PCS) team delivered another successful year, with strong performance across fault and emergency response, network maintenance, capital projects, and customer-initiated works (CIW).
Delta completed several significant projects for Aurora Energy during FY26.

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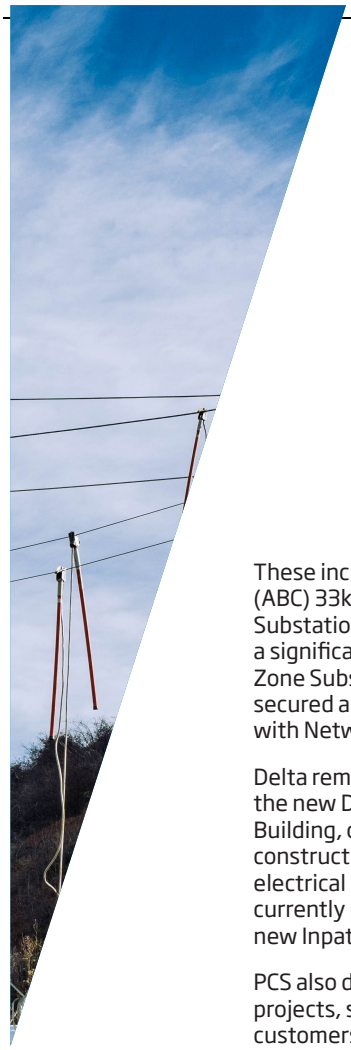

These included Stage 2 of the Waipori (ABC) 33kV Line Upgrade, a new Zone Substation at Green Island, Dunedin, and a significant upgrade at the Alexandra Zone Substation. Further north, Delta secured a five-year contract extension with Network Tasman.

Delta remained actively involved in the new Dunedin Hospital Outpatient Building, one of the region's largest construction projects, delivering the HV electrical network infrastructure. We are currently pricing similar works for the new Inpatient Hospital.

PCS also delivered some large CIW projects, some of which were linked to customers' decarbonisation initiatives, and HV infrastructure at Port Otago.

Together, these projects strengthened critical electrical infrastructure across the South Island. Delivering this work safely and reliably requires significant technical expertise, careful planning and close collaboration, helping keep communities connected and supporting growth across the regions we serve.

FY26 saw Delta's Metering & Field Operations (MFO) team deliver its strongest performance to date, completing more than 100,000 jobs and achieving a record revenue result. Throughout the year, the business unit continued to evolve by entering new markets, expanding its specialist technical capability and growing its nationwide footprint.

A key milestone was the launch of DELTABOX, Delta's purpose-built Builders Temporary Supply (BTS) unit, which entered the Auckland market in February 2026. The team also continued to grow its Current Transformer (CT) and Category 2 (CAT2) metering work, providing more complex metering services as customer requirements evolved.

Delta's willingness to innovate and respond to emerging customer needs, alongside consistent service delivery across multiple Metering Equipment Providers (MEPs) and Electricity Distribution Businesses (EDBs), strengthened MFO's position as a trusted nationwide delivery partner.

Our Greenspace Services teams continued to manage public spaces across the South Island. High-profile sports turf management, parks and reserves maintenance, roadside vegetation control, ecological support, and tree services remained at the heart of the business unit's work.

During the year, teams delivered sports-ground renovations, planting programmes and playground safety-surface improvements, while also responding to major storm events

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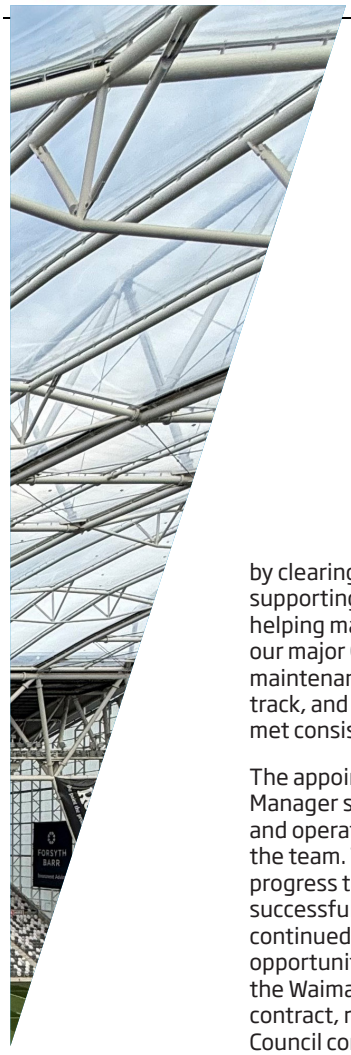


by clearing debris and fallen trees, supporting sandbagging efforts and helping make public areas safe. Across our major Openspace contracts, planned maintenance programmes remained on track, and service KPIs continued to be met consistently.

The appointment of a new General Manager strengthened commercial and operational leadership within the team. This supported positive progress throughout the year, including successful contract reviews and the continued development of future opportunities. Delta also retained the Waimakariri Parks and Reserves contract, reflecting the confidence the Council continues to place in our people and the quality of our work.

Delta's specialised Tree Services team delivered a very successful year across its utility and local government contracts. Delta secured the associated Waimakariri Tree Maintenance contract, expanded its work with Orion in Christchurch, and continued its vegetation management services with Aurora Energy in Central Otago. Trusted customer relationships, experienced crews, and consistent service delivery contributed to the strong commercial result, leaving the team well-positioned for FY27.

## *SAFETY & RISK*

Working safely is fundamental to every part of Delta. Our people regularly operate in high-risk environments across electrical infrastructure and public spaces, making effective safety leadership and risk management essential.

During FY26, we continued to strengthen how we manage critical risks. A more formalised internal audit structure was introduced, supported by an audit schedule covering all regions and key risk areas. We also improved how lessons from incidents and close calls were shared across the business through safety alerts, toolbox meetings and regional communication.

While Delta achieved its total recordable injury frequency rate (TRIFR) target and all three business units maintained work completed without harm at 98.9% or higher, our lost-time injury frequency rate (LTIFR) did not meet its target. We remain focused on improving safety performance through stronger forward planning and closer collaboration with customers to identify and manage risks before work begins.

WASTE
DO NOT
DUST
MAY CAUSE
LUNG CANCE
DO NOT OP
OR DAMAGE
Vector
EDMI ATLAS MK7RA
DELTA

Throughout the year, Delta maintained its ISO 45001, 14001 and 9001 certifications and continued to strengthen the systems that help keep our people safe, supporting our commitment to Everyone Home Safe, Every Day.

## *PEOPLE & COMMUNITY*

Delta's people remain the foundation of our business. During the year, we continued to invest in apprenticeships, training and professional development. By the end of FY26, Delta employed 23 apprentices and trainees across the business, helping build the technical capability and practical experience needed across our operations.

We also strengthened the way we support, develop and engage our wider workforce, with a renewed focus on people leadership, workforce planning and employee experience. Feedback gathered through employee surveys provided valuable insight into what matters most to our people and helped inform priorities for the year ahead. The appointment of a dedicated People & Culture Manager marked an important step in building the systems and capabilities needed for the future.

Delta's commitment to developing technical capability was also reflected at the Connexis Annual Connection competition in October 2025, where our Central Otago lines team won the Hardware Part One event before severe weather brought the competition to an early close. Delta was also represented on the judging panel, with our Tasman Contract Manager, Henry Lotter, serving as a Cable Jointing judge.

Beyond our day-to-day work, Delta continued to support initiatives that strengthen the communities we serve. During FY26, we maintained valued partnerships with Otago Cricket and the Otago Medical Research Foundation, established a new relationship with Com2Tech to support access to technology within our community, and provided one-off tree services support to the Orokonui Ecosanctuary. Through our employee-led Kaitiaki Groups, we also supported local causes across our regions. Together, these partnerships and contributions reflect Delta's commitment to making a positive difference in the places where we live and work.

# SUSTAINABILITY FOCUS

During FY26, we refreshed our Carbon Emissions & Waste Reduction Strategy first developed in FY2022 to cover the period from FY2026 to FY2036.

Our goals remain the same; In partnership with our stakeholders, Delta is committed to reducing:

**Scope 1 Gross Emissions by 45%**
**Scope 2 Net Emissions by 100%**
**Scope 3 Gross Emissions by 20%**

*All reductions are from our baseline measurements in FY2022*

We have continued to assess and measure our Greenhouse Gas (GHG) emissions.

We completed this process internally along guidelines established with external advisors and in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2006 Specification with Guidance at the Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

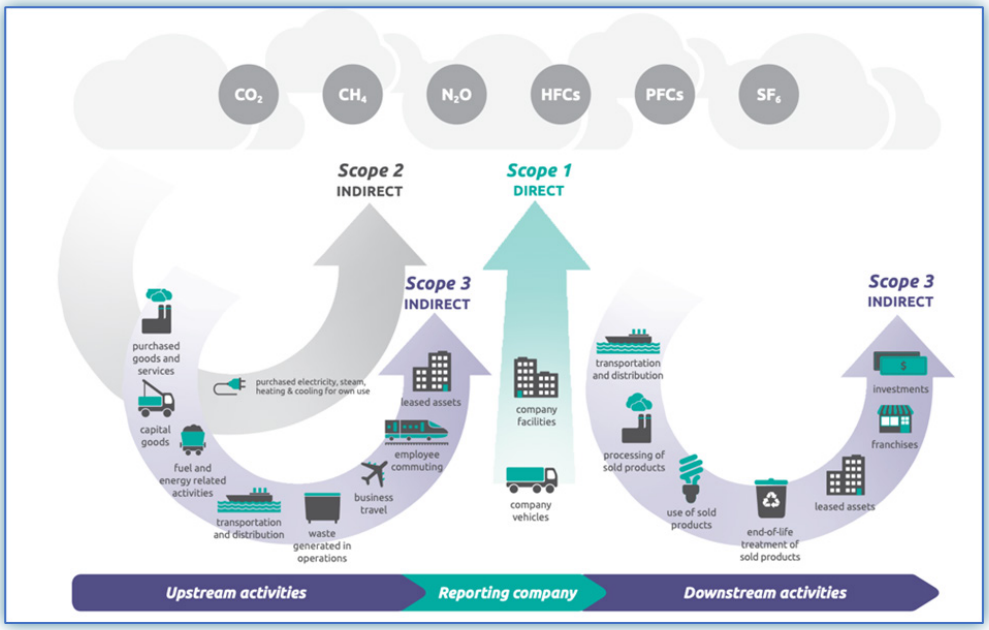



*FIGURE 1 SOURCE: GHG PROTOCOL - FIGURE 1.1 OF SCOPE 3 STANDARD*

We completed our first Greenhouse gas inventory in the 2021 financial year, and we have continued to focus on measuring our Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions each year since.

**Scope 1** - direct emissions that are operationally controlled by Delta, including:

- Mobile consumption emissions related to fleet vehicles and trucks, owned or operated by Delta.
- Stationary combustion emissions related to machinery and equipment.

**Scope 2** - indirect GHG emissions from imported energy, including:

- Purchased electricity that is consumed at sites we operate.

**Scope 3** – we have reported on a minimum set of Scope 3 emissions which are waste, freight and travel.

Our Scope 3 emissions measured include the following:

- Waste generated from our own operations (the waste owned by our customers has not been measured).
- Upstream transportation (the freighting of goods purchased by Delta), where freight costs have been paid by Delta directly to freight companies.
- Business travel (primarily flights and accommodation).

At this stage we have not captured all emissions relating to our suppliers and contractors. We will review which Scope 3 emissions are relevant and appropriate during FY2027, as we continue to measure and report our carbon footprint.

## *Results*

Emissions are reported as tonnes (t) of Carbon Dioxide (CO2) equivalent (e); or tCO2-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

## MEASURED EMISSIONS BY SCOPE

Delta's measured GHG emissions for the year end June 2026 are **4,003 tCO2-e.**

As a contracting company, our primary source of emissions is associated with Scope 1, mainly related to fuel use for our fleet.

Electricity emissions (Scope 2) were measured using a market-based approach and were covered by Renewable Energy Certificates (RECs) purchased from Meridian Energy. The RECs covered all electricity consumed by Delta in FY26.

Scope 3 emissions measured cover waste, freight, travel and accommodation. Other Scope 3 emissions have not been measured.

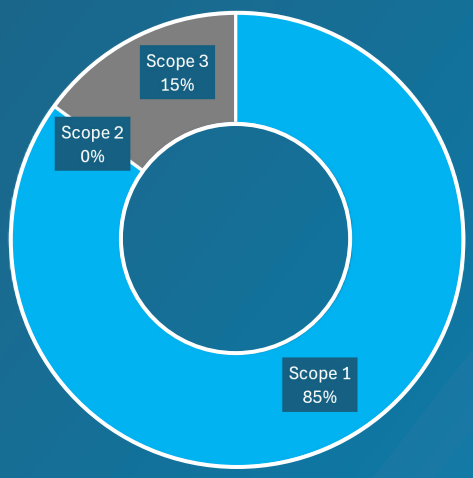



*FIGURE 1: MEASURED EMISSIONS BY SCOPE*

| | 2026 | | 2025 | | 2024 | | 2023 | | 2022 | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Emissions** | t $CO_{2-e}$ | % | t $CO_{2-e}$ | % | t $CO_{2-e}$ | % | t $CO_{2-e}$ | % | t $CO_{2-e}$ | % |
| Scope 1 | 3,425 | 85% | 3,708 | 92% | 3,623 | 92% | 3,706 | 85% | 3,692 | 84% |
| Scope 2 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 104 | 2% |
| Scope 3 | 622 | 15% | 318 | 8% | 335 | 8% | 631 | 15% | 611 | 14% |
| **Total** | **4,047** | **100%** | **4,026** | **100%** | **3,958** | **100%** | **4,337** | **100%** | **4,407** | **100%** |

*TABLE 1: MEASURED EMISSIONS BY SCOPE*

## MEASURED EMISSIONS BY ACTIVITY

Our top emissions sources measured are summarised below.

| SCOPE | CATEGORY EMISSION SOURCE | 2026 t $CO2_{-e}$ | 2025 t $CO2_{-e}$ | 2024 t $CO2_{-e}$ | 2023 t $CO2_{-e}$ | 2022 t $CO2_{-e}$ |
|---|---|---|---|---|---|---|
| 1 | Fuels | 3,425 | 3,708 | 3,623 | 3,706 | 3,692 |
| 2 | *Purchased Electricity | 0 (69) | 0 (66) | 0 (57) | 0 (64) | 104 |
| 3 | Waste to Landfill | 126 | 65 | 102 | 67 | 59 |
| 3 | Freight | 417 | 86 | 79 | 446 | 447 |
| 3 | Flights - Air Travel | 59 | 149 | 130 | 76 | 62 |
| 3 | Accommodation | 12 | 17 | 23 | 35 | 30 |
| 3 | Rental cars | 2 | 1 | 1 | 7 | 5 |
| 3 | T&D losses | 0 (7) | 0 (5) | 0 (4) | 0 (7) | 8 |

*TABLE 2: MEASURED EMISSIONS BY ACTIVITY*

* Purchased electricity emissions (scope 2) and Transmission & Distribution Losses (T&D (scope 3) have been covered by Renewable Energy Certificates (RECs) purchased from Meridian Energy from 2023 onwards. The numbers in brackets disclosed above are the emissions prior to purchasing the RECs.

## CARBON EMISSION AND WASTE REDUCTION STRATEGY

Our emissions reduction strategy focuses on gross emissions reduction which is demonstrated through the actions we have taken this year.

We will continue to target reductions in staff travel including flights, accommodation and rental cars where possible, and run virtual meetings more frequently.

Where appropriate to operational requirements, we have continued to replace light vehicles (passenger cars) with those using hybrid technology and we have recently ordered two fully electric vehicles to replace two of the combustion engine vehicles in the fleet.

## PROGRESS

*Percentage change since FY2022*

| | FY2026 | FY2025 | FY2024 | FY2023 | Target |
|---|---|---|---|---|---|
| **Emissions** | % | % | % | % | % |
| Scope 1 | -7% | 0% | -2% | 0% | -45% |
| Scope 2 | -100% | -100% | -100% | -100% | -100% |
| Scope 3 | 2% | -48% | -45% | 3% | -20% |

## CONCLUSION

Delta has refreshed its Carbon Emissions & Waste Reduction Strategy, first developed in FY2022, to cover the period from FY2026 to FY2036. It is our intention to measure and manage our footprint on an ongoing basis and to report on this annually.

We have made progress in reducing our emissions by the following percentages over the baseline measurements taken in FY22.

**Scope 1** - gross reduction of 7%
**Scope 2** - net reduction of 100% due to the purchase of Renewable Energy Certificates (RECs) from Meridian Energy
**Scope 3** - gross increase of 2%

While we have recorded a 2% increase in scope 3 emissions since the base year in FY2022 and a 96% increase since FY25. The increase from FY25 is largely due to a change in our supply chain, meaning that we have freighted some stock items from Australia in FY26, whereas we have been able to source these items in country in the previous two years.

During FY27, we will complete an inventory of our remaining Scope 3 emissions to determine if there are other emissions in this category that we can start to measure and reduce in due course.

We have yet to make significant progress on reducing our Scope 1 emissions, largely due to the lack of suitable replacement options for internal combustion vehicles. However, we are pleased to be in the process of adding two fully electric vehicles to the fleet. We are also continuing to purchase hybrid vehicles where appropriate and are replacing another Elevated Work Platform (EPV) truck with a fitted Electric Power Take Off (EPTO), further supporting our transition to lower-emission technologies. At the same time, we are seeing our revenue and business activity increase over time, which impacts on the total amount of greenhouse gas emissions generated by the business.

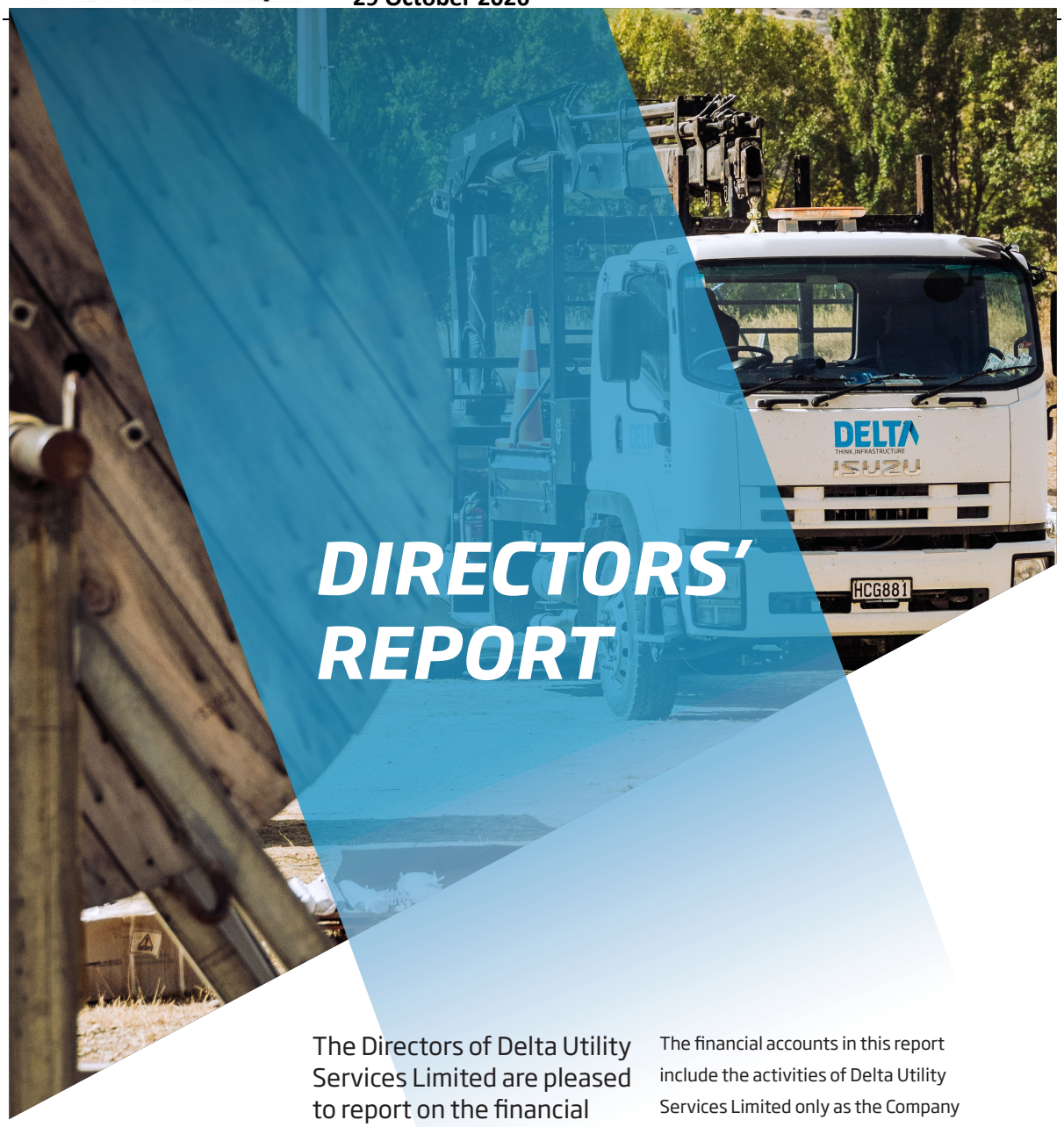
## *OUR THANKS*

As we reflect on FY26, we thank our people for the commitment and expertise they bring to Delta every day. The achievements outlined in this report are the result of hundreds of individuals working together across the business, often in challenging environments and changing conditions. We also thank our customers, shareholder, and partners for their continued trust and support as we work together to deliver essential services for the communities we serve. We look forward to building on this progress in FY27.

**Peter Carnahan**
CHAIRMAN

**Grant Sime**
CHIEF EXECUTIVE

10 September 2026




# DIRECTORS' REPORT

The Directors of Delta Utility Services Limited are pleased to report on the financial results and associated matters for the year ended 30 June 2026.

The financial accounts in this report include the activities of Delta Utility Services Limited only as the Company has no subsidiaries.

# DIRECTORS' REPORT

for the year ended 30 June 2026 - continued

## PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities of the Company are the construction, operation and maintenance of infrastructure assets and the provision of contracting and related services.

| RESULTS FOR THE YEAR ENDED 30 JUNE 2026 | $000 |
|---|---|
| Operating profit before income tax | 6,788 |
| Income tax expense | 955 |
| **Net profit for the period** | **5,833** |

### STATE OF AFFAIRS

The Directors believe that the state of affairs of the Company is satisfactory.

### DIVIDENDS

Dividends of $2.5 million were declared and paid during the year.

### THE NET TRANSFERS FROM RETAINED EARNINGS

The net transfers from retained earnings during the year was $3.333 million.

# DIRECTORS' REPORT

for the year ended 30 June 2026 - continued

## REVIEW OF OPERATIONS

Delta's performance during the financial year ended 30 June 2026 (FY26) reflected a period of consolidation and strong operational delivery. The broader economic environment remained challenging with ongoing inflationary pressures and tighter customer spending. Fluctuating work volumes and contract variability tested forecasting and resourcing efforts. Despite these challenges Delta responded with experience and resilience, maintaining a clear focus on delivering safe, high-quality services, guided by its commitment to people, communities, and sustainability.

## FINANCIAL STATEMENTS

The audited financial statements in the year ended 30 June 2026 are attached to this report.

## DIRECTORS' INTERESTS IN CONTRACTS

Disclosures of interests made by Directors are recorded in the Company's interests register. These general disclosures of interests are made in accordance with S140 (2) of the Companies Act 1993 and serve as notice that the Directors may benefit from any transaction between the Company and any of the disclosed entities. Details of these declarations are included in the Information on Directors section of this report.

Any significant contracts involving Directors' interests that were entered into during the year ended 30 June 2026 or existed at that date are disclosed in the related parties section of the financial statements.

## DIRECTORS' BENEFITS

No Director has received or become entitled to receive a benefit since the end of the previous financial period other than a benefit included in the total remuneration received or due and receivable by the Directors as shown in the financial statements.

There were no notices from Directors requesting to use Company information received in their capacity as Directors that would not otherwise have been available to them.

## CHANGE OF DIRECTORS

There were no changes of directors during the current financial year.

## DIRECTORS' INSURANCE

In accordance with the Constitution, the Company has arranged policies of Directors' Liability Insurance, which ensure generally that the Directors will incur no monetary loss as a result of actions undertaken by them as Directors, provided that they operate within the law.

# DIRECTORS' REPORT

for the year ended 30 June 2026 - continued

## DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was:

| | |
|---|---|
| Peter J Carnahan | $90,000 |
| Jane George | $45,000 |
| Steve W Grave | $45,000 |
| Cameron J Baudinet | $45,000 |
| | $225,000 |

## BOARD MEETINGS ATTENDED

The Board held 12 meetings during the year. The attendance of Directors is set out below, showing the number of meetings attended.

| | |
|---|---|
| Peter J Carnahan | 11 |
| Jane George | 11 |
| Steve W Grave | 12 |
| Cameron J Baudinet | 12 |

## EMPLOYEES' REMUNERATION

The number of current employees and former employees, whose remuneration and benefits exceeded $100,000 for the year ended 30 June 2026 is listed below. Remuneration includes all non-cash benefits and redundancy payments at total cost to the company, where applicable:

| | |
|---|---|
| $100,000 - $109,999 | 46 |
| $110,000 - $119,999 | 46 |
| $120,000 - $129,999 | 28 |
| $130,000 - $139,999 | 20 |
| $140,000 - $149,999 | 34 |
| $150,000 - $159,999 | 11 |
| $160,000 - $169,999 | 8 |
| $170,000 - $179,999 | 12 |
| $180,000 - $189,999 | 4 |
| $190,000 - $199,999 | 5 |
| $200,000 - $209,999 | 2 |
| $210,000 - $219,999 | 1 |
| $220,000 - $229,999 | 2 |
| $230,000 - $239,999 | 2 |
| $260,000 - $269,999 | 3 |
| $380,000 - $389,999 | 1 |
| $420,000 - $429,999 | 1 |
| | 226 |

In the year ended 30 June 2026 the Chief Executive received a base remuneration of $400,000 and superannuation of $15,500. The Chief Executive's remuneration does not include any other short-term or long-term incentives or performance based payments.

# DIRECTORS' REPORT

for the year ended 30 June 2026 - continued

## GENDER DIVERSITY

The gender composition of current employees as at 30 June 2026 is listed below.

| DIRECTORS | | SENIOR MANAGEMENT | | ALL STAFF | |
|---|---|---|---|---|---|
| Male | 3 | Male | 6 | Male | 462 |
| Female | 1 | Female | 3 | Female | 112 |
| | 4 | | 9 | | 574 |

## AUDIT AND RISK COMMITTEE

All Directors are members of the Audit and Risk Committee. The Audit and Risk Committee has the responsibility for agreeing the arrangements for audit of the Company's financial statements. Its responsibilities include ensuring that appropriate audit consideration is given to the following issues:

- effectiveness of systems and standards of internal control
- quality of management controls
- management of business risk
- compliance with legislation, standards, policies and procedures
- appointing and monitoring the internal audit function.

## HEALTH AND SAFETY COMMITTEE

All Directors are members of the Health and Safety Committee. The Committee's principal responsibility is to review and make recommendations to the Board on the appropriateness and effectiveness of the Company's health and safety strategy, performance and governance.

## AUDITOR

The Auditor-General is appointed as Auditor pursuant to S70 of the Local Government Act 2002. The Auditor-General has contracted the audit to The Audit Office.

On behalf of the Directors

**Peter Carnahan**
CHAIRMAN

**Cameron Baudinet**
DIRECTOR

10 September 2026

TR GROUP LTD
DELTA

# STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2026

| STRATEGIC OBJECTIVE | ACTIVITY | TARGET | OUTCOME |
|---|---|---|---|
| **The Shareholder** | | | |
| *We are committed to communicating our activities and strategy clearly to our shareholder and to continue to maintain an active dialogue* | | | |
| Bring to the attention of DCHL any strategic or operational matters where there may be a conflict between the Dunedin City Council's community outcomes and those of Delta and seek DCHL's view on these | Consult with DCHL at the earliest possible time on matters where conflict may or could result | All potential conflicts notified | Regular communication with the Shareholder (DCHL) was maintained throughout the period. |
| Keep DCHL informed of all substantive matters | On a "no surprises" basis, advise DCHL promptly of any substantive matter that has the potential to impact negatively on DCHL and Delta with a particular focus on the media | Substantive matters reported to DCHL within 24 hours | Any substantive matters were reported to DCHL promptly |
| Keep DCHL well briefed on monthly financial results and progress in respect of the Delta Boards plans for business strategy and performance improvement | Provide monthly KPI reports that include financial results and progress on performance improvement initiatives | KPI reports provided each month | Monthly KPI reports and financial information were provided in line with the agreed timetable. |
| **Community** | | | |
| *We are big believers in supporting the communities in which we operate. Our main contribution is through the essential infrastructure services we provide every day. Plus, we support organisations in the local community, nurture the next generation of smart thinking infrastructure specialists, and promote our brand to our stakeholders.* | | | |
| Make a positive contribution to the communities in which we operate | Provide community support through local sponsorship/ donations | Sponsorship/ donation value of ≥ $25,000 per annum | Over $30,000 in sponsorship / donations was provided to local community groups during the year ending 30 June 2026. |
| Support community recreation and visitor experience | Maintain parks, reserves, sports fields, walking tracks, and amenities in the northern part of Dunedin city, including significant tourist attractions (e.g. the Railway Station and Chinese Gardens) | Achieve KPIs on relevant service contracts | Target KPIs were maintained or exceeded on average throughout the year |
| Promote economic development | Maintain essential infrastructure to support Dunedin City Council's strategy to be one of the world's great small cities | Deliver maintenance services per contractual arrangements with Aurora Energy Ltd and Dunedin City Council | Delta generally met or exceeded its KPI's on maintenance contracts held with Aurora Energy and the Dunedin City Council throughout the year |

# STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2026 - continued

| STRATEGIC OBJECTIVE | ACTIVITY | TARGET | OUTCOME |
|---|---|---|---|
| **People** | | | |
| *It is the skill and dedication of our people that makes the difference for our customers and keeps everyone safe at work. Our safety goal is 'Everyone Home Safe, Every day'. We are committed to the provision of safe and healthy work environments for our workers and the public.* | | | |
| Safe and healthy outcomes for our people are expected. | Maintain effective Health and Safety systems and processes supported by positive organisational culture to enable the Company value of Everyone Home Safe, Every Day. | Total recordable injury frequency rate (TRIFR) per 200,000 hours worked of ≤ 3.50 | Total recordable injury frequency rate (TRIFR) for the year was 3.40 per 200,000 hours worked. This was slightly under the target of ≤ 3.5. The severity of the incidents was minor and most related to the high amount of manual handling that is a requirement of the work we complete. |
| | | Maximum total lost time injury frequency rate (LTIFR) per 200,000 hours worked of ≤ 1 | Total lost time injury frequency rate (LTIFR) for the year was 2.10 per 200,000 hours worked. This was over the target of ≤ 1 due to a small number of incidents which, while they required some time off work, were not severe in nature. |
| | | Maintain ISO 45001 Occupational Health and Safety Management System accreditation | The Company maintained ISO 45001 Occupational Health and Safety Management System accreditation throughout the year. |
| Fully comply with Health and Safety legislation | Maintain a legislative compliance process that includes Health and Safety legislation. | Legislative compliance process is completed. | The legislative compliance process was completed for the period. |
| Maintain the health and wellbeing of staff | Maintain an employee wellbeing programme | Programme maintained throughout the year | The WorkWell employee wellbeing programme was maintained throughout the year. A WorkWell survey was completed in April 2026 and there has been continued work within the board meetings. Bronze accreditation was awarded in September 2024, and we are working towards achieving silver status. |
| | Ensure that all direct employees are paid at living wage or above | No direct employee is paid at less than the living wage | All direct amployees are paid at the living wage or above. |

# STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2026 - continued

| STRATEGIC OBJECTIVE | ACTIVITY | TARGET | OUTCOME |
|---|---|---|---|
| **People - continued** | | | |
| Run an effective apprenticeship/trainee scheme | Develop skill sets and succession planning through Delta's apprenticeship/ trainee scheme | Average number of apprentices/ trainees per annum of ≥ 20 | The average number of apprentices was 25.16 throughout the year. As at the 30th of June 2026 there were 23 apprentices in the scheme. |
| Maintain a positive and satisfying working environment | Monitor staff retention as a percentage of permanent staff | Staff retention ≥ 85% per annum | Staff retention was 78.89% during the period. |
| **Environment** | | | |
| *We are committed to continual improvement in our environmental performance, prevention of harm to the environment and adoption of sustainable work practices.* | | | |
| Operate using sustainable work practices that prevent harm to the environment | Maintain a well-recognised environmental accreditation | ISO14001 accreditation is maintained | The Company maintained ISO 14001 Environmental Management accreditation throughout the period. |
| Fully comply with environmental and resource consents | Maintain full compliance with the Resource Management Act (RMA) | Nil breaches of the RMA | There were no breaches of the RMA during the year. |
| Contribute to Dunedin City Councils city-wide carbon neutrality initiatives | Refresh Delta's Carbon Emission and Waste Reduction strategy developed in the 2022 financial year. | Carbon Emission and Waste Reduction Strategy is refreshed. Selected Greenhouse Gas (GHG) emissions are measured and reported in our Annual Report | The Carbon Emission and Waste Reduction Strategy has been refreshed this financial year. We have reported on selected greenhouse gas (GHG) emissions in the annual report. |

# STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2026 - continued

## FINANCIAL OBJECTIVES

| PERFORMANCE MEASURE | TARGET | RESULT |
|---|---|---|
| | $000 | $000 |
| EBITDA | ≥12,357 | 13,756 |
| Net profit after income tax | ≥2,990 | 5,833 |
| Shareholders funds | ≥28,981 | 31,690 |
| Return on Shareholders' funds | ≥10% | 18% |
| Cash flow from operations | ≥14,227 | 13,928 |
| Capital expenditure | ≤6,000 | 3,827 |
| Term borrowings | ≤6,100 | 5,640 |
| Dividend distributions | ≥2,250 | 2,500 |
| Shareholders' funds to total assets | ≥46% | 52% |

Delta delivered a strong financial performance in FY26, achieving all key financial targets set out in the Statement of Intent, with the exception of operating cash flow. Net profit after tax increased to $5.8 million, significantly ahead of the target of $3 million and up from $2.1 million in FY25. This result reflects continued focus on operational efficiency, disciplined cost management, and reliable service delivery.

The return on Shareholders' funds was 18%, which exceeds the target of 10%, and was up from the 7% in FY25. Earnings before interest, tax and depreciation were $13.8 million, exceeding the target of $12.4 million, and up from $9.9 million for FY25.

The favourable financial performance shown in the profit and loss report was impacted by movements in working capital balances resulting in cash flow from operations slightly behind target at $13.9 million (target of $14.2 million). Term borrowings at $5.6 million are below the target of $6.1 million. Planned capital expenditure was $6 million, and we came in below this at $3.8 million. The business has continued to be conservative with capital spending while we target improved overall financial performance. The capex that we invested this year was largely on targeted initiatives to increase profitability and took place in areas where we had good secured forward revenue. As a result of this some capital expenditure investment planned for FY26 will now take place in future years.

We were pleased to pay dividends of $2.5 million for FY26, ahead of the $2.25 million target in our FY26 Statement of Intent. Shareholders' funds were $31.7 million against a target of 29 million, with the Company's equity ratio increasing to 52% from 47% in FY25. In approving the dividend payment, the Board carefully considered the prudent balance between shareholder returns and retained earnings.

As one of the Dunedin City Council's group of companies, the Company's financial returns and dividends ultimately benefit its community owners.

# INFORMATION ON THE DIRECTORS

| DIRECTOR | DATE APPOINTED | DECLARATIONS OF INTERESTS |
|---|---|---|
| **Peter Carnahan**<br>Non-Executive Chairman | August 2022 | Director and Shareholder – Peak Consulting Limited<br>Chairman - Waikaia Gold Limited<br>Chairman and Shareholder - Waikaka Gold Mines Limited<br>Director and Shareholder- OKC Holdings Limited<br>Director - SF Holdings Limited<br>Director - Fern Energy Limited<br>Director - SouthFuels (2022) Limited<br>Director and Employee – Trojan Holdings Limited<br>Director - Beach St Holdings Limited<br>Director - Runway Investments Limited<br>Director - Grant Road Properties Limited<br>Director - Aoraki/Mount Cook Alpine Village Limited<br>Director - Aoraki Mount Cook Airport Limited<br>Director - Alpine Guides Mt Cook Limited<br>Director - Allied Queenstown Concrete<br>Director - The Real Meal Company Limited<br>Director – Invercargill City Holdings Limited<br>Director - 211 High Street Limited<br>Director and Shareholder - 211 High Street Investments Limited<br>Shareholder - Techemy Limited<br>Shareholder - Rise and Shine Holdings Limited<br>Shareholder - Magic Memories Group Holdings Limited<br>Shareholder - Tracplus Global Limited<br>Shareholder - Glenda Drive Property Limited<br>Shareholder - Skyline Enterprises Limited<br>Shareholder - Santa Minerals Limited<br>Shareholder - Lilo Desserts Ltd |
| **Steven Grave**<br>Non-Executive Director | July 2017 | Chairman - Whitestone Contracting Limited<br>Shareholder - Fulton Hogan Limited<br>Chairman - Buller Holdings Limited<br>Chairman - Westreef Services Limited<br>Chairman - Buller Recreation Limited |
| **Jane George**<br>Non-Executive Director | November 2021 | Director and Shareholder – Jane George Consulting Limited<br>Director – A.G. Foleys Limited<br>Director – Invercargill Airport Limited<br>Consultant - The Building Intelligence Group (TBIG) |
| **Cameron Baudinet**<br>Non-Executive Director | August 2023 | Director & Shareholder - Murray & Company Limited |

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# FINANCIAL STATEMENTS

for the year ended 30 June 2026

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# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2026

| | Note | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **REVENUE** | | | |
| Operating revenue | 3 | 132,187 | 130,144 |
| Other revenue | 4 | 1,890 | 1,212 |
| **Total revenue** | | **134,077** | **131,356** |
| **LESS EXPENSES** | | | |
| Operating expenses | 5 | 126,741 | 128,440 |
| Financial expenses | 6 | 548 | 677 |
| **Total expenses** | | **127,289** | **129,117** |
| **Profit before tax** | | **6,788** | **2,239** |
| Income tax expense | 8 | 955 | 178 |
| **Net profit after tax** | | **5,833** | **2,061** |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | **5,833** | **2,061** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2026

| | Note | Share Capital $000 | Retained Earnings $000 | Total $000 |
|---|---|---|---|---|
| **Balance at 01 July 2025** | | 17,000 | 11,357 | 28,357 |
| Total comprehensive income | | - | 5,833 | 5,833 |
| Less dividends paid | | - | (2,500) | (2,500) |
| **Balance at 30 June 2026** | | **17,000** | **14,690** | **31,690** |

| | Note | Share Capital $000 | Retained Earnings $000 | Total $000 |
|---|---|---|---|---|
| **Balance at 01 July 2024** | | 17,000 | 11,296 | 28,296 |
| Total comprehensive income | | - | 2,061 | 2,061 |
| Less dividends paid | | - | (2,000) | (2,000) |
| **Balance at 30 June 2025** | | **17,000** | **11,357** | **28,357** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2026

| | Note | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 9 | 17,000 | 17,000 |
| Retained earnings | | 14,690 | 11,357 |
| **TOTAL EQUITY** | | **31,690** | **28,357** |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 62 | 89 |
| Trade and other receivables | 16 | 12,970 | 15,477 |
| Work in progress | 17 | 12,016 | 10,812 |
| Inventories - materials and stores | | 3,903 | 3,939 |
| Prepayments | | 972 | 905 |
| **Total current assets** | | **29,923** | **31,222** |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 19 | 2,236 | 2,695 |
| Right of use asset | 20 | 5,870 | 7,870 |
| Property, plant and equipment | 18 | 22,937 | 22,367 |
| **Total non-current assets** | | **31,043** | **32,932** |
| **Total assets** | | **60,966** | **64,154** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2026 - continued

| | Note | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 10 | 8,998 | 9,255 |
| GST payable | | 756 | 991 |
| Employee Entitlements - current | 12 | 5,552 | 5,564 |
| Taxation payable | 8 | 1,135 | 476 |
| Lease liabilities - current | 11 | 2,343 | 2,760 |
| **Total current liabilities** | | **18,784** | **19,044** |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 13 | 5,640 | 10,770 |
| Lease liabilities | 11 | 3,814 | 5,408 |
| Deferred tax Liability | 8 | 403 | 10 |
| Employee Entitlements | 12 | 635 | 565 |
| **Total non-current liabilities** | | **10,492** | **16,753** |
| **Total liabilities** | | **29,276** | **35,797** |
| **NET ASSETS** | | **31,690** | **28,357** |

For and on behalf of the Board of Directors

**Peter Carnahan**
CHAIRMAN

**Cameron Baudinet**
DIRECTOR

10 September 2026

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# STATEMENT OF CASH FLOWS

for the year ended 30 June 2026

| | Note | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Cash was provided from :** | | | |
| Receipts from customers | | 134,621 | 127,013 |
| Wage subsidy | | 15 | 25 |
| Interest received | | 3 | - |
| Net GST received/(paid) | | 64 | (79) |
| | | **134,703** | **126,959** |
| **Cash was disbursed to :** | | | |
| Payments to suppliers | | 60,165 | 60,002 |
| Payments to employees | | 60,393 | 60,945 |
| Intra-group tax payments | | (97) | (50) |
| Interest paid | | 314 | 383 |
| | | **120,775** | **121,280** |
| **Net cash inflows/(outflows) from operating activities** | | **13,928** | **5,679** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **Cash was provided from :** | | | |
| Sale of property, plant and equipment | | 526 | 290 |
| | | **526** | **290** |
| **Cash was disbursed to :** | | | |
| Purchase of property, plant and equipment | | 3,881 | 3,101 |
| Purchase of intangibles | | (92) | 327 |
| | | **3,789** | **3,428** |
| **Net cash inflows/(outflows) from investing activities** | | **(3,263)** | **(3,138)** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# STATEMENT OF CASH FLOWS

for the year ended 30 June 2026 - continued

| | Note | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **Cash was provided from :** | | | |
| Receipt from borrowings | | 117,440 | 114,130 |
| | | **117,440** | **114,130** |
| **Cash was disbursed to :** | | | |
| Repayment of borrowings | | 122,570 | 111,260 |
| Repayment of lease liabilities | | 3,062 | 3,491 |
| Dividends paid | | 2,500 | 2,000 |
| | | **128,132** | **116,751** |
| **Net cash inflows/(outflows) from financing activities** | | **(10,692)** | **(2,621)** |
| Cash and cash equivalents at the beginning of the period | | 89 | 169 |
| Net increase/(decrease in cash, cash equivalents and bank overdraft | | (27) | (80) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | | **62** | **89** |

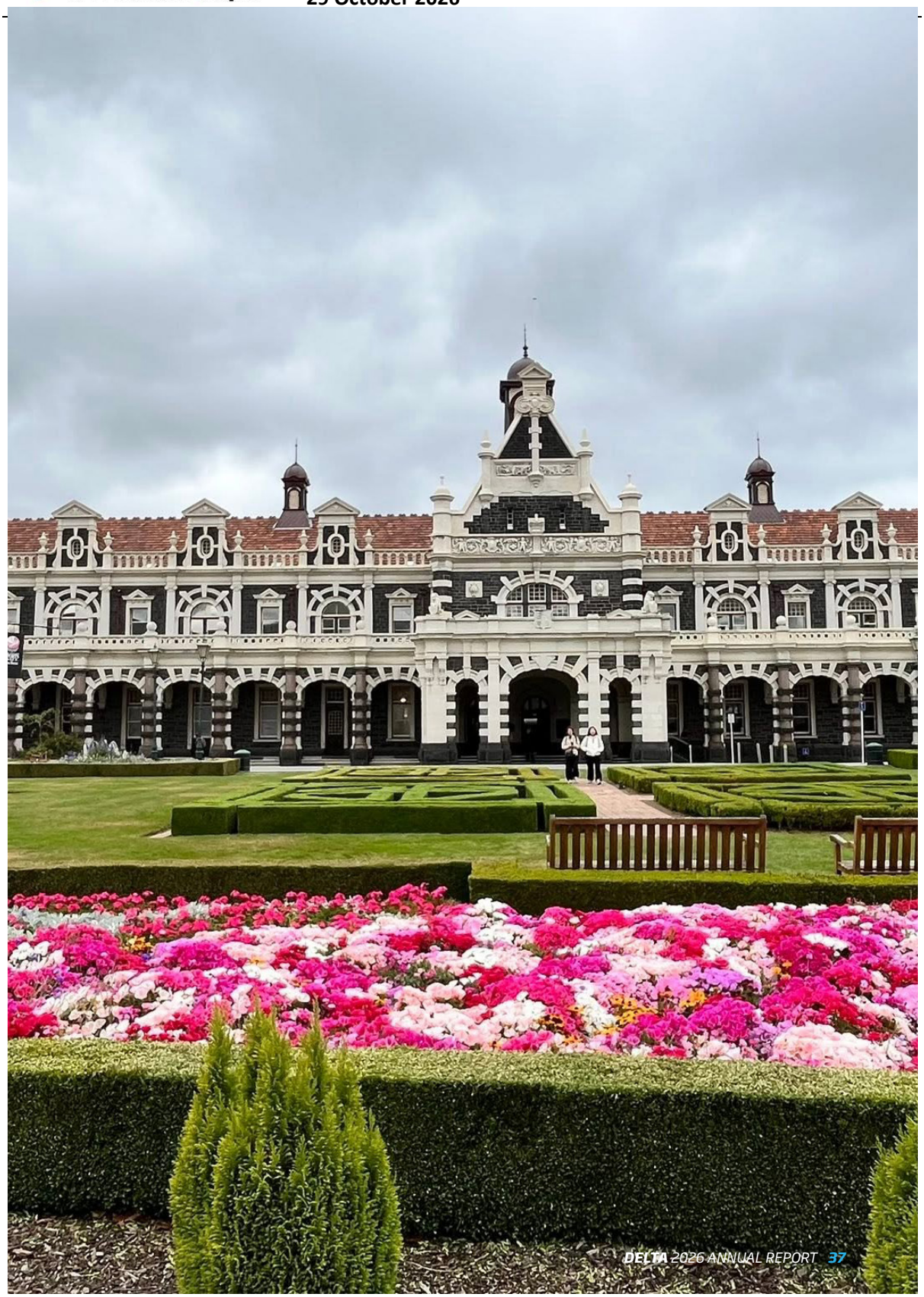
The accompanying notes and accounting policies form an integral part of these audited financial statements.

# STATEMENT OF CASH FLOWS

for the year ended 30 June 2026 - continued

| | Note | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **RECONCILIATION OF NET PROFIT AFTER TAX TO CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Net profit for the year** | | **5,833** | **2,061** |
| **Non-cash items** | | | |
| Depreciation and amortisation | | 3,603 | 3,724 |
| Depreciation - right of use asset | | 2,817 | 3,215 |
| Interest - leases | | 234 | 293 |
| Deferred tax | | 393 | (258) |
| | | **7,047** | **6,974** |
| **Changes in working capital items** | | | |
| (Increase)/decrease in trade and other receivables | | 2,507 | (2,616) |
| (Increase)/decrease in inventories | | 39 | (233) |
| (Increase)/decrease in work in progress | | (1,204) | (1,803) |
| (Increase)/decrease in prepayments | | (67) | (246) |
| Increase/(decrease) in trade and other payables | | (263) | 575 |
| Increase/(decrease) in provision for tax | | 659 | 486 |
| Increase/(decrease) in provisions | | 58 | 557 |
| Increase/(decrease) in GST payable | | (235) | 222 |
| | | **1,494** | **(3,058)** |
| **Items classified as investing or financing activities** | | | |
| Net (gain)/loss on sale of property, plant and equipment | | (410) | (234) |
| Change in trade and other payables | | (36) | (64) |
| | | **(446)** | **(298)** |
| **Net cash inflow from operating activities** | | **13,928** | **5,679** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.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# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026

## 1 REPORTING ENTITY

The financial statements presented are for the reporting entity Delta Utility Services Limited.

Delta Utility Services Limited ("the Company") is a Council Controlled Trading Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002.

The financial statements are presented in New Zealand dollars (the functional currency of the company) and have been rounded to the nearest thousand.

## 2 MATERIAL ACCOUNTING POLICIES

### STATEMENT OF COMPLIANCE

The Company is a Tier 1 for-profit entity as defined by the External Reporting Board (annual expenses over $30 million) and has reported in accordance with Tier 1 for-Profit Accounting Standards. These annual financial statements are general purpose financial reports which have been presented in accordance with NZ IAS 1, and NZ GAAP. They comply with New Zealand Equivalents to IFRS and other applicable Financial Reporting Standards, as appropriate to for-profit orientated entities.

The financial statements were authorised for issue by the Directors on 10 September 2026.

### BASIS OF ACCOUNTING

The financial statements have been prepared on the historic cost basis. The going concern basis of accounting has been applied.

The accounting policies set out below and in the following notes have been applied consistently to all periods in these financial statements.

### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated. Accounting policies that are relevant to the understanding of the financial statements and that summarise the measurement basis are provided throughout the notes to the financial statements. These standards have been consistently applied to all the years presented unless otherwise stated.

The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year include:

- carrying value of the deferred tax liability (note 8)
- calculation of profit elimination on intra-group transactions for tax purposes (note 8)
- valuation of provisions for staff entitlements (note 12)
- valuation of borrowings (note 13)
- valuation of work in progress (note 17)
- impairment of property, plant and equipment (note 18)
- classification of property, plant and equipment (note 18)
- impairment of intangible assets (note 19)
- valuation of right of use assets and liabilities (notes 11 and 20)

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 2 MATERIAL ACCOUNTING POLICIES - continued

### GOODS AND SERVICES TAX (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for trade receivables and trade payables, which are recognised inclusive of GST.

### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### IMPAIRMENT OF ASSETS

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is immediately expensed to the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year. Accounting policies have been applied consistently to all years presented in these financial statements.

### STANDARDS AMENDED OR ISSUED DURING THE YEAR

During the period, there were no new or amended accounting standards which materially affected the Company or its reporting.

### STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

Amendments to the following Standards have been issued but are not yet effective:

- IFRS 18 Presentation and disclosure of Financial Statements,
- NZ IFRS 9 Financial Instruments and NZ IFRS 7 Financial Instruments: Disclosures.

The New Zealand Accounting Standards Board issued NZ IFRS 18 Presentation and Disclosure in Financial Statements, which replaces NZ IAS 1 and introduces new requirements relating to the presentation of financial performance, including specified categories within the statement of profit or loss and enhanced management-defined performance measure disclosures. The standard is expected to primarily affect the presentation and disclosure of financial information and is not expected to have a significant impact on the recognition or measurement of the Company's assets, liabilities, income or expenses. The amendments are effective for accounting periods beginning on or after 1 January 2027.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 2 MATERIAL ACCOUNTING POLICIES - continued

The amendments to NZ IFRS 9 Financial Instruments and NZ IFRS 7 Financial Instruments: Disclosures include clarifying the classification of financial assets with ESG features, allowing derecognition of financial liabilities settled electronically before cash delivery if criteria are met, and adding new disclosures for FVOCI-designated equity investments and instruments with contingent features.

The Company has not yet assessed in detail the impact of these amendments.

The amendments to these standards will not have a material impact on the financial reporting of the Company.

## 3 OPERATING REVENUE

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, net of discounts and goods and services tax (GST).

### MAINTENANCE SERVICES

The Company enters into contracts that involve various different processes, activities and services. Where these processes and activities tend to be highly inter-related, these are taken to be one performance obligation, otherwise separate performance obligations are identified. The transaction price is allocated across each service or performance obligation based on contracted prices/schedules of rates. Revenue from maintenance services rendered is recognised in the Statement of Comprehensive Income in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the proportion of costs incurred to date compared to the estimated total costs of the contract. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under NZ IFRS 15.

The Company becomes entitled to invoice customers on a periodic basis, at particular stages of completion or upon completion of works. The Company recognises a contract asset (Work in Progress) for any work performed and not invoiced, derived on the basis of costs incurred to date plus an estimated margin. Any amount recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the invoiced amount exceeds the revenue recognised to date under the stage of completion method, then the Company recognises a contract liability (Income in Advance) for the difference.

### CONSTRUCTION CONTRACTS

The Company derives revenue from the construction of electrical infrastructure assets. The construction of each individual piece of infrastructure is generally taken to be one performance obligation. Where contracts are entered for several projects, the total transaction price is allocated across each project based on stand-alone selling prices. Revenue from construction contracts is recognised over time on a cost-to-cost method i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under NZ IFRS 15. The Company generally becomes entitled to invoice customers through a monthly claim based on a measure and value calculation or on a milestone basis. The customer is sent a relevant claim or statement of work, the customer assesses the claim and approves it for payment on which an invoice is raised. The Company recognises a contract asset (Work in Progress) for any work performed. Any amount recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the invoiced amount exceeds the revenue recognised to date under the cost-to-cost method, then the Company recognises a contract liability (Income in Advance) for the difference.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 3 OPERATING REVENUE - continued

### VARIABLE CONSIDERATION

A small number of the Company's contracts include performance bonuses for meeting relevant performance KPIs. In this instance the expected value of revenue is only recognised to the amount management considers it likely, measurable and recoverable. This is assessed on a periodic basis and is based on all available information including historic performance.

Where modifications/variations in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification/variation has not been confirmed, an estimate is made of the amount of revenue to recognise.

### WARRANTIES AND DEFECT PERIODS

Construction and service contracts can include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore are estimated and included in the total costs of the contracts. Where required, amounts are recognised in provisions. Where material, a retention is held, or a performance bond is put in place to reflect this claim/defects period.

The Company has applied the practical expedient in paragraph B16 of IFRS 15 Revenue from Contracts with Customers, in that disclosure information regarding future performance obligations is not required, as the Company has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Power and communication services | 78,907 | 79,171 |
| Metered field operations | 20,938 | 17,260 |
| Greenspace services | 32,342 | 33,713 |
| | **132,187** | **130,144** |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 4 OTHER REVENUE

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **Other** | | |
| Other sundry revenue | 784 | 321 |
| Lease income | 693 | 657 |
| Interest received - related parties | 3 | - |
| Gain on sale / disposal of assets | 410 | 234 |
| | **1,890** | **1,212** |

Lease income relates to the leasing out of surplus buildings and land. The Company classifies these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of future lease income, showing the undiscounted future lease amounts to be received after the reporting date.

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Less than one year | 515 | 498 |
| One to two years | 64 | 48 |
| Two to three years | 53 | 11 |
| Three to four years | 53 | - |
| Four years and greater | 9 | - |
| | **694** | **557** |

## 5 OPERATING EXPENSES

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **Included in the operating expenses are the following items:** | | |
| Employee remuneration and benefits | 58,081 | 59,118 |
| Superannuation | 2,369 | 2,384 |
| Subcontractor costs | 26,405 | 24,976 |
| Materials | 16,392 | 18,190 |
| Depreciation and amortisation - property, plant and equipment / intangibles | 3,603 | 3,724 |
| Depreciation - right of use asset | 2,817 | 3,215 |
| Plant and vehicle costs | 7,072 | 6,543 |
| Directors' fees | 225 | 216 |
| Donations | 13 | 6 |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 6 FINANCIAL EXPENSES

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Interest - related parties | 314 | 383 |
| Interest - leases | 234 | 294 |
| | **548** | **677** |

## 7 AUDITOR'S REMUNERATION

During the year ended 30 June 2026, the following fees were paid or payable to the Company's audit firm for services provided:

| SERVICE CATEGORY | DESCRIPTION OF SERVICES | 2026 $000 | 2025 $000 |
|---|---|---|---|
| Audit or review of the financial statements | Statutory audit of annual financial statements | 177 | 172 |

## 8 TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Current tax and deferred tax is charged or credited to the statement of comprehensive income except when deferred tax relates to items charged directly to equity, in which case the tax is dealt with in equity.

The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 8 TAXATION - continued

### INCOME TAX RECONCILIATION

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Profit before tax | 6,788 | 2,239 |
| **Tax thereon at 28%** | 1,901 | 627 |
| *Plus/(less) tax effect of:* | | |
| Expenditure non-deductible for taxation | 114 | 6 |
| Non-assessable income | (1,499) | (470) |
| Intra-group tax compensation | 750 | 217 |
| Under/(over) tax provision in prior years | (316) | (218) |
| Reclassification of commercial building | (17) | 17 |
| Unwind of unrecognised temporary difference on commercial buildings | 21 | (1) |
| **Tax expense / (benefit)** | **955** | **178** |
| *Represented by:* | | |
| Current tax provision | 385 | 258 |
| Intra-group tax compensation | 750 | 217 |
| Prior period adjustments to current tax | (573) | (40) |
| Deferred tax provision | 132 | (95) |
| Prior period adjustments to deferred tax | 257 | (178) |
| Reclassification of commercial building | (17) | 17 |
| Unwind of unrecognised temporary difference on commercial buildings | 21 | (1) |
| | **955** | **178** |
| **Effective tax rate** | **14%** | **8%** |

Profits arising on assets constructed for DCHL subsidiary, Aurora Energy Limited, have been deducted from the calculation of taxable income for the consolidated tax group, and have also been removed from the cost of the relevant Aurora Energy assets for tax depreciation purposes. For accounting purposes, the Company has recognised the adjustment to remove the profit component of these assets and has reflected a tax compensation of $750,000 (2025: $217,000).

### IMPUTATION CREDIT ACCOUNT

The Company is a member of an income tax consolidated group and has access to the income tax consolidated group's imputation credit account.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 8 TAXATION - continued

### DEFERRED TAX

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

| | Opening position $000 | Charged to income $000 | Closing assets position $000 | Closing liabilities position $000 | Closing net position $000 |
|---|---|---|---|---|---|
| **YEAR ENDED 30 JUNE 2026** | | | | | |
| Property, plant and equipment | (115) | (172) | - | (287) | (287) |
| Intangible assets | (595) | 89 | - | (506) | (506) |
| Employee benefits | 1,586 | (20) | 1,566 | - | 1,566 |
| Provisions | (970) | (288) | - | (1,258) | (1,258) |
| IFRS 16 leases | 84 | (3) | 81 | - | 81 |
| **Balance at the end of the year** | **(10)** | **(394)** | **1,647** | **(2,051)** | **(403)** |

| | Opening position $000 | Charged to income $000 | Closing assets position $000 | Closing liabilities position $000 | Closing net position $000 |
|---|---|---|---|---|---|
| **YEAR ENDED 30 JUNE 2025** | | | | | |
| Property, plant and equipment | (145) | 30 | - | (115) | (115) |
| Intangible assets | (646) | 51 | - | (595) | (595) |
| Employee benefits | 1,399 | 187 | 1,586 | - | 1,586 |
| Provisions | (955) | (15) | - | (970) | (970) |
| IFRS 16 leases | 79 | 5 | 84 | - | 84 |
| **Balance at the end of the year** | **(268)** | **258** | **1,670** | **(1,680)** | **(10)** |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 9 SHARE CAPITAL

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **Issued capital** | | |
| 17,000,000 fully paid ordinary shares | **17,000** | **17,000** |

## 10 TRADE AND OTHER PAYABLES

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Trade payables | 3,773 | 4,100 |
| Due to related parties | 298 | 92 |
| Income in advance | 1,198 | 569 |
| Other payables | 3,729 | 4,494 |
| | **8,998** | **9,255** |

Trade and other payables are stated at cost.

The Directors consider that the carrying amount of trade payables approximates their fair value. Trade and other payables are non-interest bearing and are normally settled on 30 day terms.

## 11 LEASE LIABILITIES

**Land and Building leases**

The Company leases land and buildings for operational purposes. The leases typically have an initial term of between 3 and 10 years and most include an option to renew for an additional period beyond this term.

Where applicable the Company seeks to include extension options in new leases to provide operational flexibility. Options to extend are held by the Company and not by the lessor. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. This is reassessed at each reporting date.

**Vehicle leases**

The Company leases vehicle and plants for operational purposes. The Company leases vehicles and plant with lease terms of up to 10 years. The residual value of the leased assets is agreed with the lessor at the start of the lease. The residual value is reviewed if the lease is extended or there is a material change in the number of kilometres travelled per annum.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 11 LEASE LIABILITIES - continued

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **(i) Current liabilities** | | |
| Building and land leases | 1,141 | 1,016 |
| Vehicle leases | 1,202 | 1,744 |
| | **2,343** | **2,760** |
| **(ii) Non-current liabilities** | | |
| Building and land leases | 2,501 | 3,096 |
| Vehicle leases | 1,313 | 2,312 |
| | **3,814** | **5,408** |

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate inherent in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate, as the interest rate inherent in its building leases is not easily identified and the interest rate noted for the vehicle leases includes a significant margin component. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate. Interest rates used range from 2.78% to 4.64% (2025: 2.78% - 5.10%)

| MATURITY ANALYSIS - CONTRACTUAL UNDISCOUNTED CASHFLOWS | 2026 $000 | 2025 $000 |
|---|---|---|
| Payable within one year | 2,343 | 2,760 |
| Payable between one to five years | 3,682 | 4,844 |
| Payable later than five years | 132 | 564 |
| | **6,157** | **8,168** |

## 12 EMPLOYEE ENTITLEMENTS

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements to long service leave and retirement gratuities are calculated on an actuarial basis and are based on the reasonable likelihood that they will be earned by employees and paid by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 12 EMPLOYEE ENTITLEMENTS - continued

The Company recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The calculation is based on the average value of excess sick leave.

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **(i) Current liabilities** | | |
| Long service leave | 200 | 255 |
| Annual leave | 4,884 | 4,800 |
| Gratuities | 161 | 158 |
| Sick Leave | 172 | 218 |
| Superannuation | 135 | 133 |
| | **5,552** | **5,564** |
| **(ii) Non-current liabilities** | | |
| Long service leave | 635 | 565 |
| | **635** | **565** |

## 13 BORROWINGS

All borrowings are provided under a facility agreement with Dunedin City Treasury (DCTL), a related party of the Company. DCTL provides corporate treasury services to Dunedin City Council (DCC), Dunedin City Holdings Limited (DCHL) and its subsidiaries. DCTL sources external debt and on-lends to DCC and the council-controlled organisations based on an average cost of borrowings. The borrowings are not required to be repaid provided the borrower is not in default and continues to meet the terms of the borrowing. The borrower may repay principal balances at any time.

The setting of the interest rate is on a quarterly basis. The fixed interest rate reflects the internal borrowing rate index of DCTL for the interest period. At the end of the financial year, or sooner if necessary, a retrospective interest rate adjustment is calculated to ensure that the effective rate charged to borrowers for the period reflects the actual costs of DCTL.

The Company has assessed that the fair value of borrowings on initial recognition is the face value. The interest rate set by DCTL is considered a market rate as it is based on an internal borrowing index for a fixed interest period. Debt is sourced by DCTL on ordinary commercial terms, arranged by major trading banks. DCTL also borrows from the Local Government Funding Agency (LGFA). DCTL has a credit rating equal to that of DCC and has assessed the same level of credit risk for all borrowers within the DCC group since they are ultimately owned by DCC and rely on their underlying support in a stress scenario. Accordingly, DCTL does not apply different credit spreads to different borrowers.

For the reasons noted above, the Company continues to deem it appropriate to measure its loan from DCTL at amortised cost.

Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026- continued

## 13 BORROWINGS- continued

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Dunedin City Treasury Limited - related party | 5,640 | 10,770 |
| | **5,640** | **10,770** |

The total facility available as at 30 June 2026 was $22.500 million. The repayment period on the non-current borrowings is as follows:

| | | |
|---|---|---|
| Repayable between one to two years | - | - |
| Repayable between two to five years | - | - |
| Repayable greater than five years | 5,640 | 10,770 |
| | **5,640** | **10,770** |

The effective interest rate for the loan at balance date was 4.0% (2025: 4.2%).

## 14 CONTINGENT LIABILITIES

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Performance bonds | 636 | 636 |
| | **636** | **636** |

The performance bonds issued are principally in favour of South Island Local Authorities for contract work. There is no indication that any of these contingent liabilities will crystallise in the foreseeable future.

Employment Matters: There is one employment matter in progress relating to a former employee who has raised a personal grievance claim for wrongful dismissal. The matter remains unresolved as at 30 June 2026. The financial consequences (if any) cannot be reliably estimated at this time.

The company knows of no other contingent assets or liabilities as at balance date.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 15 CAPITAL EXPENDITURE COMMITMENTS

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Plant and equipment | 1,173 | 265 |
| | **1,173** | **265** |

## 16 TRADE AND OTHER RECEIVABLES

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Trade receivables | 7,762 | 7,594 |
| Less expected credit loss | - | (1) |
| | 7,762 | 7,593 |
| Due from related parties | 5,208 | 7,884 |
| | **12,970** | **15,477** |

Trade and other receivables are classified as financial assets at fair value less any allowances for estimated irrecoverable amounts.

Ageing of trade receivables which the group has not provided against as still deemed recoverable:

| | | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **Age analysis** | Not past due | 11,786 | 13,584 |
| | 1 - 30 days | 720 | 1,253 |
| | 30 - 60 days | 320 | 470 |
| | 60 - 90 days | 87 | 154 |
| | 90 days plus | 56 | 16 |
| | | **12,970** | **15,477** |

The loss allowance as at 30 June 2026 and 30 June 2025 was determined as follows:

| | | |
|---|---|---|
| Expected loss rate | 0.0% | 0.004% |
| Gross carrying amount - trade receivables | 12,970 | 15,477 |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 16 TRADE AND OTHER RECEIVABLES - continued

The Company applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2026 and 30 June 2025 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are then adjusted for current and forward-looking information including macroeconomic factors affecting the company's customers.

In the current year this provision is $nil (2025: $547) on the basis that limited amounts of trade receivables have been written off in the preceding two year period, the company's debt is concentrated around a low number of large customers that are predominantly councils or large electrical distribution boards, and the outstanding amounts have been reviewed on a line by line basis with specific provisions put in place where deemed necessary for doubtful amounts ($nil as at 30 June 2026).

Movement in lifetime expected credit losses:

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Opening expected credit loss | (1) | (4) |
| Provisions reversed during the year | 1 | 3 |
| Closing expected credit loss | - | **(1)** |

## 17 WORK IN PROGRESS

Work in progress is stated at estimated realisable value, after providing for non-recoverable amounts. Work in progress represents work from contracts which has been performed, but which is unable to be billed as the right to consideration remains conditional.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer and the performance obligations have been satisfied.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable and where Delta believes the identified performance obligations have been satisfied. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 17 WORK IN PROGRESS - continued

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Work in progress – construction contracts | 4,751 | 4,004 |
| Work in progress – other contracts | 7,265 | 6,808 |
| | **12,016** | **10,812** |

## 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment is stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Self-constructed assets include the direct cost of construction to the extent that they relate to bringing the fixed assets to the location and condition for their intended service.

Depreciation is charged so as to write off the costs of assets, other than land, properties under construction and capital work in progress, on a straight-line basis. Rates used have been calculated to allocate the assets' costs less estimated residual values over their estimated remaining useful lives.

Depreciation of these assets commences when the assets are ready for their intended use and no depreciation is charged on assets under construction.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The Company does not classify the property leased as investment property as the Company still occupies a significant portion of the leased space and, in many cases, overlap with the tenants.

Depreciation rates and methods used are as follows:

| | Rate | Method |
|---|---|---|
| Buildings | 2% to 14% | straight line |
| Metering equipment | 7% to 10% | straight line |
| Plant and equipment | 4% to 60% | straight line |
| Motor vehicles | 5% to 33% | straight line |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 18 PROPERTY, PLANT AND EQUIPMENT - continued

| | Opening balance $000 | Purchases $000 | Sales/ disposals $000 | Transfers $000 | Closing balance $000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **YEAR ENDED 30 JUNE 2026** | | | | | |
| Land | 4,556 | - | - | - | 4,556 |
| Buildings | 6,465 | 747 | - | - | 7,213 |
| Meters | 4,670 | - | - | - | 4,670 |
| Plant and equipment | 12,444 | 683 | (313) | - | 12,813 |
| Motor vehicles | 31,312 | 2,118 | (2,116) | 757 | 32,071 |
| Assets under construction | 757 | 371 | - | (757) | 371 |
| | **60,204** | **3,919** | **(2,429)** | **-** | **61,694** |
| **YEAR ENDED 30 JUNE 2025** | | | | | |
| Land | 4,556 | - | - | - | 4,556 |
| Buildings | 6,459 | 6 | - | - | 6,465 |
| Meters | 4,454 | 216 | - | - | 4,670 |
| Plant and equipment | 12,241 | 382 | (179) | - | 12,444 |
| Motor vehicles | 30,286 | 1,806 | (915) | 135 | 31,312 |
| Assets under construction | 135 | 757 | - | (135) | 757 |
| | **58,131** | **3,167** | **(1,094)** | **-** | **60,204** |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 18 PROPERTY, PLANT AND EQUIPMENT - continued

| | Opening balance $000 | Depreciation $000 | Sales/ disposals $000 | Transfers $000 | Closing balance $000 |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| **YEAR ENDED 30 JUNE 2026** | | | | | |
| Land | - | - | - | - | - |
| Buildings | 2,814 | 292 | (3) | - | 3,103 |
| Meters | 1,983 | 312 | - | - | 2,295 |
| Plant and equipment | 9,737 | 931 | (307) | - | 10,360 |
| Motor vehicles | 23,303 | 1,702 | (2,007) | - | 22,998 |
| | **37,837** | **3,237** | **(2,317)** | **-** | **38,756** |
| **YEAR ENDED 30 JUNE 2025** | | | | | |
| Land | - | - | - | - | - |
| Buildings | 2,588 | 226 | - | - | 2,814 |
| Meters | 1,677 | 306 | - | - | 1,983 |
| Plant and equipment | 8,850 | 1,059 | (172) | - | 9,737 |
| Motor vehicles | 22,374 | 1,793 | (864) | - | 23,303 |
| | **35,489** | **3,384** | **(1,036)** | **-** | **37,837** |

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **Carrying values** | | |
| Land | 4,556 | 4,556 |
| Buildings | 4,109 | 3,651 |
| Meters | 2,375 | 2,687 |
| Plant and equipment | 2,453 | 2,707 |
| Motor vehicles | 9,073 | 8,009 |
| Assets under construction | 371 | 757 |
| | **22,937** | **22,367** |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 19 INTANGIBLES

Intangibles contains software which is recognised at cost and amortised to the statement of comprehensive income on a straight-line basis over the estimated useful life – which is a maximum period of ten years.

| | Opening balance $000 | Purchases $000 | Sales/ disposals $000 | Transfers $000 | Closing balance $000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **YEAR ENDED 30 JUNE 2026** | | | | | |
| Software | 4,799 | (92) | - | 278 | 4,985 |
| Software work in progress | 278 | - | - | (278) | - |
| | **5,077** | **(92)** | **-** | **-** | **4,985** |
| **YEAR ENDED 30 JUNE 2025** | | | | | |
| Software | 4,630 | 49 | - | 120 | 4,799 |
| Software work in progress | 120 | 278 | - | (120) | 278 |
| | **4,750** | **327** | **-** | **-** | **5,077** |

| | Opening balance $000 | Amortisation $000 | Sales/ disposals $000 | Transfers $000 | Closing balance $000 |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| **YEAR ENDED 30 JUNE 2026** | | | | | |
| Software | 2,382 | 367 | - | - | 2,749 |
| | **2,382** | **367** | **-** | **-** | **2,749** |
| **YEAR ENDED 30 JUNE 2025** | | | | | |
| Software | 2,041 | 341 | - | - | 2,382 |
| | **2,041** | **341** | **-** | **-** | **2,382** |

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **Carrying values** | | |
| Software | 2,236 | 2,417 |
| Software work in progress | - | 278 |
| | **2,236** | **2,695** |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 20 RIGHT-OF-USE-ASSET

| | Opening balance $000 | Purchases $000 | Sales/ disposals $000 | Transfers $000 | Closing balance $000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **YEAR ENDED 30 JUNE 2026** | | | | | |
| Property | 7,514 | 585 | (325) | - | 7,774 |
| Motor Vehicles | 13,437 | 232 | (2,262) | - | 11,406 |
| | **20,951** | **816** | **(2,587)** | **-** | **19,180** |
| **YEAR ENDED 30 JUNE 2025** | | | | | |
| Property | 6,369 | 1,571 | (426) | - | 7,514 |
| Motor Vehicles | 13,438 | 350 | (351) | - | 13,437 |
| | **19,807** | **1,921** | **(777)** | **-** | **20,951** |

| | Opening balance $000 | Amortisation $000 | Sales/ disposals $000 | Transfers $000 | Closing balance $000 |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| **YEAR ENDED 30 JUNE 2026** | | | | | |
| Property | 3,537 | 1,076 | (325) | - | 4,288 |
| Motor Vehicles | 9,544 | 1,742 | (2,264) | - | 9,022 |
| | **13,081** | **2,818** | **(2,589)** | **-** | **13,310** |
| **YEAR ENDED 30 JUNE 2025** | | | | | |
| Property | 3,075 | 888 | (426) | - | 3,537 |
| Motor Vehicles | 7,569 | 2,327 | (352) | - | 9,544 |
| | **10,644** | **3,215** | **(778)** | **-** | **13,081** |

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **Carrying values** | | |
| Property | 3,486 | 3,977 |
| Motor Vehicles | 2,384 | 3,893 |
| | **5,870** | **7,870** |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 20 RIGHT-OF-USE-ASSET - continued

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is recognised at the present value of lease payments, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus, where applicable, any indirect costs incurred and an estimate of costs to dismantle or/and remove the asset or reinstate/restore the asset or the site where it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful lives of the assets are determined on the same basis as those of property and equipment. In addition, the asset is periodically reviewed for impairment.

## 21 RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Opening balance $000 | Cashflows $000 | Non-Cash Movement $000 | Closing balance $000 |
|---|---|---|---|---|
| **Year ended 30 June 2026** | | | | |
| Long term borrowings | 10,770 | (5,130) | - | 5,640 |
| Short term borrowings | - | - | - | - |
| Lease liabilities | 8,168 | (3,062) | 1,051 | 6,157 |
| | **18,938** | **(8,192)** | **1,051** | **11,797** |
| **Year ended 30 June 2025** | | | | |
| Long term borrowings | 7,900 | 2,870 | - | 10,770 |
| Short term borrowings | - | - | - | - |
| Lease liabilities | 9,445 | (3,491) | 2,214 | 8,168 |
| | **17,345** | **(621)** | **2,214** | **18,938** |

## 22 RELATED PARTY TRANSACTIONS

Delta Utility Services Limited is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

**TRANSACTIONS WITH DUNEDIN CITY COUNCIL GROUP**
The Company undertakes transactions with Dunedin City Council and other Dunedin City Council controlled entities.

The amounts owing to/from related parties are payable in accordance with the Company's normal terms of trade. No related party debts have been written off or forgiven during the year and no provision has been required for impairment of any receivables to related parties.

Treasury services are provided by Dunedin City Treasury Limited (DCTL). Borrowings are detailed in note 13 and Interest is detailed in Note 6. The draw down and repayment of borrowings is disclosed in the Statement of Cash Flows.

During the year, the Company provided services and traded with the Dunedin City Council Group in respect of the following transactions:

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 22 RELATED PARTY TRANSACTIONS - continued

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **PROVISION OF SERVICES PROVIDED TO THE GROUP:** | | |
| Contracting Services - Dunedin City Council | 12,191 | 11,638 |
| Contracting Services - Dunedin International Airport Ltd | 58 | 47 |
| Contracting Services - Dunedin Venues Ltd | 138 | 131 |
| Contracting Services - City Forests Ltd | 13 | - |
| Contracting Services - Dunedin Railways Ltd | - | - |
| Capital contruction - Aurora Energy | 52,377 | 52,872 |
| Rent - Auroroa Energy Ltd | 610 | 604 |
| | **65,387** | **65,292** |
| **AT YEAR END THE AMOUNTS RECEIVABLE FROM THE GROUP:** | | |
| Other contracting - Dunedin City Council | 1,325 | 1,549 |
| Work in Progress - Dunedin City Council | 225 | 65 |
| Capital contruction - Aurora Energy Ltd | 3,864 | 6,319 |
| Work in Progress - Aurora Energy Ltd | 7,959 | 7,968 |
| Other contracting - Dunedin International Airport Ltd | 6 | 4 |
| Other contracting - Dunedin Venues Ltd | 13 | 12 |
| | **13,392** | **15,917** |
| **RECEIPT OF GOODS AND SERVICES FROM THE GROUP:** | | |
| Contracting services and supplies - Dunedin City Council | 435 | 348 |
| Rates and Property services - Dunedin City Council | 130 | 121 |
| Contracting services and supplies - Aurora Energy Ltd | 1,186 | 413 |
| Rent/Administration - Aurora Energy Ltd | 610 | 180 |
| Tax Compensation - Aurora Energy Ltd | 750 | 217 |
| Interest - Dunedin City Treasury Ltd | 314 | 383 |
| | **3,425** | **1,662** |
| **AT YEAR END THE AMOUNTS PAYABLE TO THE GROUP:** | | |
| Rates and Property services - Dunedin City Council | 15 | 16 |
| Interest - Dunedin City Treasury Ltd | 9 | 20 |
| Contracting services and supplies - Aurora Energy Ltd | 266 | 29 |
| Rent/Administration - Aurora Energy Ltd | 8 | 27 |
| | **298** | **92** |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 22 RELATED PARTY TRANSACTIONS - continued

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **INTRAGROUP TRANSFERS TO:** | | |
| Dividend Payment - Dunedin City Council | 2,500 | 2,000 |
| Tax Compensation/Subvention payment - Aurora Energy Ltd | 528 | 523 |
| | **3,028** | **2,523** |
| **INTRAGROUP TRANSFERS FROM:** | | |
| Tax Compensation/Subvention payment - Aurora Energy Ltd | 626 | 573 |

**TRANSACTIONS WITH ENTITIES IN WHICH DIRECTORS HAVE AN INTEREST:**

The Company undertakes transactions with entities in which Directors have an interest. These are detailed below:

Mr Peter J Carnahan is a Director and employee of Trojan Holdings Limited. During the financial period covered by this report, waste disposal purchases of $3,509 were made from Trojan Holdings Limited (2025: $nil). Monies payable as at 30 June 2026 were $nil (2025: $nil). No contracting services were provided to Trojan Holdings Limited (2025: $nil). No monies were receivable as at 30 June 2026 (2025: $nil).

Mr Peter J Carnahan is a Director of Fern Energy Limited. During the financial period covered by this report, fuel to the value of $64,975 was purchased from Fern Energy Limited (2025: $48,687). Monies payable as at 30 June 2026 were $4,341 (2025: $nil).

Mr S W Grave is Chairman of Whitestone Contracting Limited. During the financial period covered by this report, $24,808 of contracting services were purchased from Whitestone Contracting Limited (2025: $37,458). $2,212 was payable as at 30 June 2026 (2025: $1,351). During the financial period covered by this report, contracting services totalling $11,471 were provided to Whitestone Contracting Limited (2025: $12,098). Monies receivable as at 30 June 2026 totalled $nil (2025: $300).

Ms J George is a Director of A G Foleys Limited. During the financial period covered by this report, contracting services of $16,995 were purchased from A G Foleys Limited (2025: $13,538). Monies were payable as at 30 June 2026 were $nil (2025: $161). During the financial period covered by this report, contracting services totalling $20,072 were provided to A J Foleys Limited (2025: $7,628). Monies receivable as at 30 June 2026 totalled $nil (2025: $nil).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 23 KEY MANAGEMENT PERSONNEL REMUNERATION

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Short-term employment benefits – Senior Management | 2,482 | 2,438 |
| Short-term employment benefits – Directors | 225 | 216 |
| Termination employment benefits – Senior Management | 109 | 334 |

Termination benefits include all payments made to effect the termination of the employee, this can include a lump sum payment, unworked notice period, the value of any retained equipment, and any other benefits received in exchange for the termination of an employee's employment.

## 24 FINANCIAL INSTRUMENTS RISKS

Dunedin City Treasury Limited, which is part of Dunedin City Holdings Group, co-ordinates access to domestic markets for all group members and provides advice on the management of financial instrument risks to the Company. These risks include market risk, credit risk and liquidity risk.

Financial instruments are contracts that give rise to financial assets or liabilities that are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

In line with NZ IFRS 9 Financial Instruments, all of the financial assets and liabilities are measured at amortised cost, fair value through profit and loss, or fair value through other comprehensive income, on the basis of the company's business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

Apart from derivative financial instruments, the Company's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables, accruals and borrowings continue to be measured at amortised cost as they meet the conditions under NZ IFRS 9.

### CREDIT RISK

The Company's credit risk is primarily attributable to its trade and term receivables. The amounts presented in the Statement of Financial Position are net of allowances for impairments.

The Company's exposure to credit risk is generally spread over a large number of counterparties and customers.

In line with NZ IFRS 9, the Company recognises an expected credit loss provision on financial assets measured at amortised cost based on expected/historic credit losses. In the 2025 financial year the expected credit loss accrual was $547 and this is $nil for 2026 on the basis that there have been limited customer defaults in the past 3 years. Delta's credit exposure is limited to a small number of customers which have all been carefully reviewed and specific provisions have been put in place if required ($nil as at 30 June 2026).

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 24 FINANCIAL INSTRUMENTS RISKS - continued

**The maximum credit risk for each class of financial instrument is:**

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Cash and cash equivalents | 62 | 89 |
| Trade and other receivables | 12,970 | 15,477 |
| | **13,032** | **15,566** |

**Credit Quality of Financial Assets**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates.

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **COUNTERPARTIES WITH CREDIT RATINGS** | | |
| Cash and cash equivalents | 62 | 89 |
| A-1+ | | |
| Trade and other receivables | 1,325 | 1,549 |
| A-1+ | | |
| **COUNTERPARTIES WITHOUT CREDIT RATINGS** | | |
| Trade and other receivables | 11,645 | 13,928 |

**LIQUIDITY RISK**

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an on-going basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from financial liabilities and has credit lines in place to cover potential shortfalls. The Company maintains credit management and accounts receivable processes aimed at collecting all trade debtors and other receivable balances in cash by their agreed date(s) for payment.

Contractual obligations in respect of interest expense on borrowings have not been included in the liquidity risk table as the term debt does not have a contractual end date and the interest is currently payable on a month-by-month basis. Details of the loan balance and effective interest rate are included in note 13.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 24 FINANCIAL INSTRUMENTS RISKS - continued

The following tables analyse the exposure of the Company's financial instruments to liquidity risk:

| | Maturity dates less than 1 month $000 | 1 month - 1 year $000 | 1 - 5 years $000 | More than 5 years $000 | Carrying Value $000 |
|---|---|---|---|---|---|
| **AS AT 30 JUNE 2026** | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 62 | - | - | - | 62 |
| Trade and other receivables | 12,970 | - | - | - | 12,970 |
| | **13,032** | **-** | **-** | **-** | **13,032** |
| **Financial Liabilities** | | | | | |
| Trade and other payables | 8,998 | - | - | - | 8,998 |
| Lease liabilities | - | 2,343 | 3,682 | 132 | 6,157 |
| GST Payable | 756 | - | - | - | 756 |
| Borrowings | - | - | - | 5,640 | 5,640 |
| | **9,754** | **2,343** | **3,682** | **5,772** | **21,551** |
| **AS AT 30 JUNE 2025** | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 89 | - | - | - | 89 |
| Trade and other receivables | 15,477 | - | - | - | 15,477 |
| | **15,566** | **-** | **-** | **-** | **15,566** |
| **Financial Liabilities** | | | | | |
| Trade and other payables | 9,255 | - | - | - | 9,255 |
| Lease liabilities | - | 2,760 | 4,844 | 564 | 8,168 |
| GST Payable | 991 | - | - | - | 991 |
| Borrowings | - | - | - | 10,770 | 10,770 |
| | **10,246** | **2,760** | **4,844** | **11,334** | **29,184** |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 24 FINANCIAL INSTRUMENTS RISKS - continued

**SENSITIVITY ANALYSIS**

The table below illustrates the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on the Company's financial instrument exposures at the balance date.

Based on historic movements and volatilities, market interest rate movements of plus or minus 2%/200bps (2025: 2%/200bps) have been used in this analysis.

| | | +200bps | | -200bps | |
|---|---|---|---|---|---|
| | Fair Value at Balance date $000 | Profit $000 | Equity $000 | Profit $000 | Equity $000 |
| **As at 30 June 2026** | | | | | |
| **Financial Liabilities** | | | | | |
| Borrowings (unhedged) | 5,640 | (113) | - | 113 | - |
| | **5,640** | **(113)** | **-** | **113** | **-** |
| **As at 30 June 2025** | | | | | |
| **Financial Liabilities** | | | | | |
| Borrowings (unhedged) | 10,770 | (215) | - | 215 | - |
| | **10,770** | **(215)** | **-** | **215** | **-** |

## 25 CAPITAL MANAGEMENT STRATEGY

The capital of the Company is its equity, which is comprised of subscribed capital and retained earnings. Equity is represented by net assets. The Company manages its capital to ensure that it will be able to continue to operate as a going concern and optimises the balance of debt to equity on a prudent basis in consultation with its Shareholder.

The Directors of the Company perform continual reviews of its operating strategies, and financial performance, and include in those reviews, any strategies required to protect the capital of the Company. The Board seeks to maximise overall returns to the Shareholder and to maintain the Company's financial strength.

The Company is required to provide to its Shareholder an annual Statement of Intent. This Statement of Intent includes information on planned distributions by way of dividend for the following three years.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2026 - continued

## 26 GOING CONCERN

Based on the budget for the 12 months ended 30 June 2027 and the forecasts for the years ending 30 June 2028 and 30 June 2029, the Company will be able to meet its obligations as they fall due. In the event that the risk situation deteriorates unexpectedly, sufficient debt facility headroom is available to maintain the Company for a period of disrupted trading conditions.

## 27 EVENTS AFTER BALANCE DATE

During the period subsequent to balance date, there was a change in the Board of Directors. Steve Grave ceased as a director and David Wilson was appointed as a director, effective 1 July 2026.

ROAD WORKS

# INDEPENDENT AUDITOR'S REPORT

The Audit Office
Te Mana Arotake

**Independent Auditor's Report**

**To the readers of Delta Utility Services Limited's financial statements and statement of service performance for the year ended 30 June 2026**

The Auditor-General is the auditor of Delta Utility Services Limited (the company). The Auditor-General has appointed me, Julian Tan, using the staff and resources of The Audit Office, to carry out the audit of the financial statements and the statement of service performance on his behalf.

## Opinion

We have audited:

- the financial statements of the company that comprise the statement of financial position as at 30 June 2026, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include material accounting policy information and other explanatory information on pages 30 to 36 and pages 38 to 64; and
- the statement of service performance for the year ended 30 June 2026 on pages 22 to 25.

In our opinion:

- the financial statements of the company present fairly, in all material respects its financial position as at 30 June 2026 and its financial performance and cash flows for the year then ended in accordance with the New Zealand Equivalents to International Financial Reporting Standards; and
- the statement of service performance accurately reports, in all material respects, the company's actual performance compared against the performance targets and other measures adopted for the year ended 30 June 2026, and has been prepared, in all material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

## Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of the Board of Directors for the financial statements and the statement of service performance**

The Board of Directors is responsible on behalf of the company for preparing the financial statements that are fairly presented and comply with New Zealand Equivalents to International Financial Reporting Standards. The Board of Directors is also responsible for preparing the statement of service performance of the company in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare the financial statements and the statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and the use of the going concern basis of accounting, unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Act.

**Responsibilities of the auditor for the audit of the financial statements and the statement of service performance**

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and statement of service performance.

For the performance targets reported in the statement of service performance, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

# INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We evaluate the overall presentation, structure and content of the statement of service performance, including the disclosures, and assess whether the statement of service performance achieves its statutory purpose of enabling the company's readers to judge the actual performance of the company against its objectives in its statement of intent.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### Other information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Independence**

We are independent of the company in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the company.

Julian Tan
The Audit Office
On behalf of the Auditor-General
Christchurch, New Zealand
10 September 2026

# COMPANY DIRECTORY

as at 30 June 2026

## DIRECTORS

Cameron Baudinet

Jane George

Peter J Carnahan (Chair)

Steven W Grave

## MANAGEMENT

Grant Sime
*Chief Executive*

Louisa Homersham
*Chief Financial Officer*

Michael Price
*General Manager Power & Communication Services*

Josh Butterfield
*General Manager Metering & Field Operations*

Paul Jamison
*General Manager Greenspace Services*

Ben Jessep
*People & Culture Manager*

Jude Molyneux
*ICT Operations & Change Manager*

Shelley Renalson
*Executive Assistant*

Shane Spicer
*Commercial Manager*

### REGISTERED OFFICE

33 Sturdee Street
Dunedin
New Zealand

### AUDITOR

The Audit Office on behalf of The Controller and Auditor-General

### BANKER

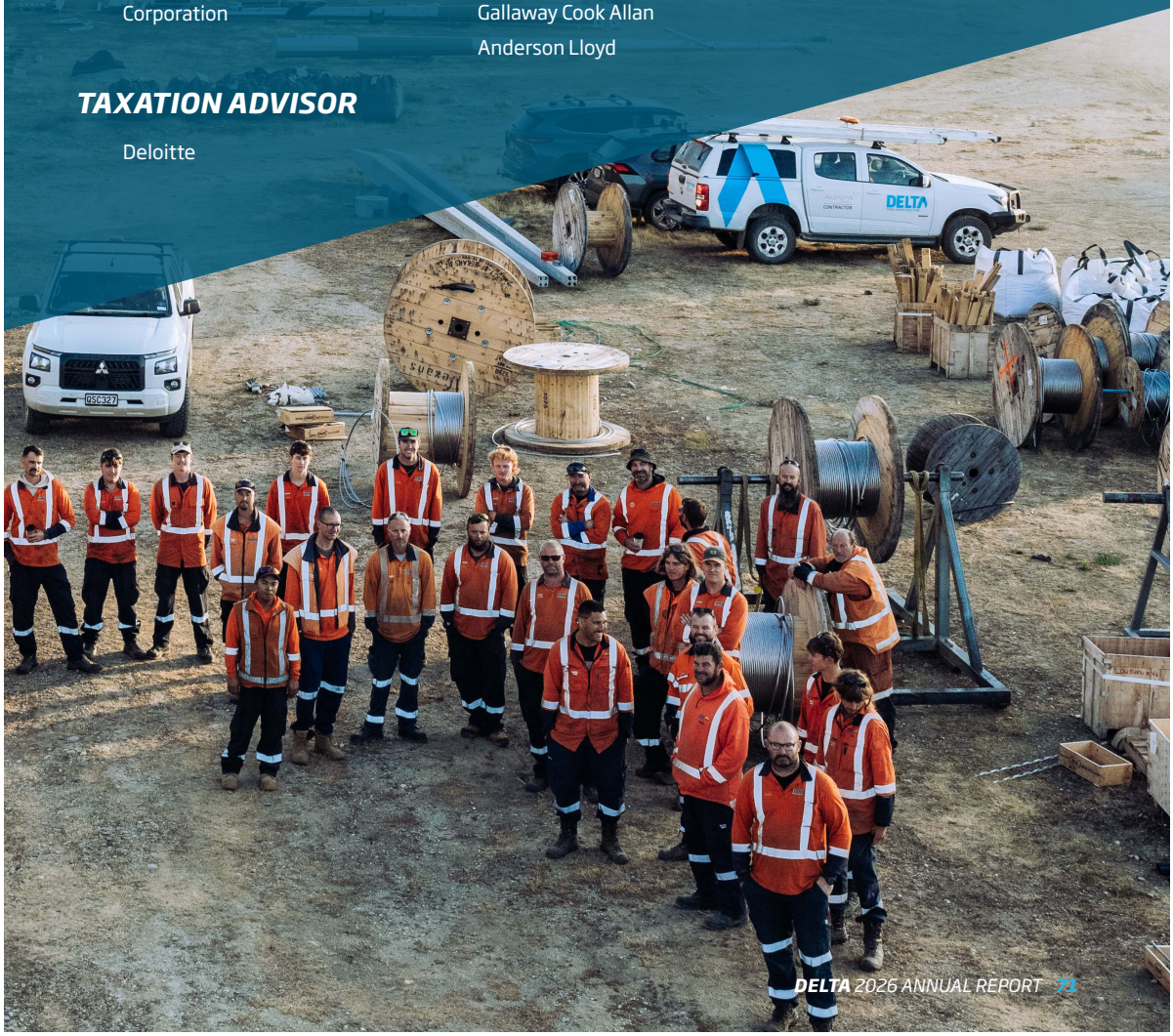
Westpac Banking Corporation

### SOLICITORS

Copeland McAllister Law
Gallaway Cook Allan
Anderson Lloyd

### TAXATION ADVISOR

Deloitte



dunedin AIRPORT

# Annual Report 2026

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1 Company Particulars
2 Our Place
3 Chair and Chief Executive's Welcome
5 Year at a Glance
6 Executive Leadership Team
7 Our Strategy
8 Our Foundation
13 Strategic Pillars

### Section 2

24 Annual Financial Statements

Tunnel Beach, Ōtepoti Dunedin | 22 mins



# Company Particulars

From left: Katie Bhreatnach, Chris Hopkins, Catherine Taylor, and Tim Hunter

### Directors

**Chris Hopkins**
Chair

**Catherine Taylor**
Deputy Chair

**Tim Hunter**

**Katie Bhreatnach**

### Chief Executive

**Daniel De Bono**

### General Manager Finance and Commercial

**Chris Cope**

### General Manager Operations and Infrastructure

**Nick Rodger**

### General Manager Business Development

**Megan Crawford**

### General Manager Sustainability and Planning

**Louis Brown**

### Registered Office

Terminal Building
Dunedin Airport
Private Bag 1922
Dunedin, Otago 9054
+64 03 486 2879
customerservice@dnairport.co.nz
dunedinairport.co.nz

### Banker

**Westpac Moray Place**
106 George Street
Dunedin 9016

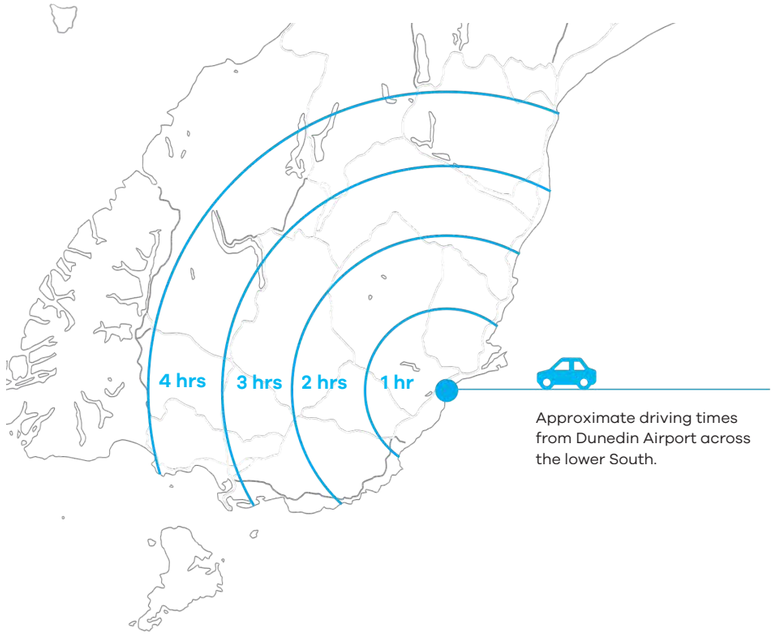
### Solicitors

**Gallaway Cook Allan**
123 Vogel Street
Dunedin 9016

### Auditor

**Jenna Hills of Audit NZ**
on behalf of the Auditor-General

## Our Place




At Dunedin Airport, our purpose is to provide a sustainable, thriving gateway in the lower South, connecting people, business, and communities to our taoka.

Located at Momona on the Taieri Plain, Dunedin Airport is the gateway to one of Aotearoa New Zealand's most distinctive regions. From Ōtepoti Dunedin's arts, heritage, and wildlife to the coastlines of Waitaki and the Catlins, the lakes and mountains of Central Otago, and the landscapes of Fiordland, the lower South has depth, character, and variety within easy reach.

Through Southern Way, we continue to work with regional tourism organisations, councils, airports, and industry partners to promote connected, lower-impact itineraries across Otago and Southland.

FY25/26 marked the first full financial year of regular direct Dunedin–Gold Coast services. With a flight time of around three-and-a-half hours, the service strengthens trans-Tasman access, supporting visitors from Australia to explore our region and giving local travellers an easier connection to South East Queensland.

Wherever you're going, you're not far away.

## Chair and Chief Executive's Welcome

FY25/26 has been a year of progress for Dunedin Airport, delivered in a challenging and increasingly uncertain operating environment. Across the aviation sector, sustained cost pressure, constrained airline capacity, softer demand in parts of the market, and broader geopolitical and fuel-price volatility continued to create headwinds for airlines and regional airports.

Against that backdrop, two achievements stand out. The first is the Terminal Enhancement Project, which has reshaped how the airport feels and functions, grounding the customer experience more clearly in the culture and story of the region. The second is the first full financial year of Jetstar's Gold Coast service, marking the return of regular trans-Tasman connectivity and an important step forward for Dunedin and the lower South.

These outcomes reflect a deliberate balance: continuing to invest in the airport's future while maintaining discipline in a constrained operating environment.

The year's progress was also recognised at the New Zealand Airports Association awards, where Dunedin Airport was named Medium Airport of the Year (pictured on page 4). The Southern Airport Alliance and Southern Way also received Commercial Initiative of the Year for the One Trip To See It All campaign, recognising regional collaboration and visitor dispersal across Otago and Southland.

Throughout the year, our focus has been on protecting what matters most: the core network, safe and reliable operations, sound financial management, and the long-term resilience of the airport.

This year has also seen continued progress in bringing Flight Plan 2050 to life. We have sharpened our strategy into a clearer framework built around three pillars: Network, Operations, and Commercial, supported by Safety, People, and Place.

Together, the plan and framework give us a more direct line of sight between our long-term ambition and the work happening across the airport every day, and help ensure the decisions we make now are aligned with where the airport needs to be over time.

A key focus has been the continued rebuild of our air services. The Gold Coast service carried close to 50,000 passengers this year, demonstrating the value of direct trans-Tasman access for travellers and the region. Alongside this, the domestic network has operated in a challenging environment. Connectivity remains critical for the lower South. It supports tourism, enables local business, connects communities, and underpins the region's economic and social wellbeing.

We have worked closely with our airline partners to support route performance and manage the realities of demand, pricing, and cost pressures across the aviation system. This work remains central to our Network pillar and to our long-term role as the gateway to the lower South.

We have also continued to invest in improving the passenger experience. The Terminal Enhancement Project has delivered new Level 1 spaces and improvements across food, beverage, and retail. The intent is broader than amenity alone. It is about creating an airport experience that reflects the region, strengthens our sense of place and identity, and makes the passenger journey clearer, more welcoming, and more accessible.

**Chris Hopkins** (left)
Chair

**Daniel De Bono** (right)
Chief Executive

## Chair and Chief Executive's Welcome

Dunedin Airport was named Medium Airport of the Year at the 2025 NZ Airports Awards on October 7, 2025, at the Omaka Aviation Museum in Blenheim. Pictured from left: Stu Casey, Daniel De Bono, Nick Rodger, and Megan Crawford.

Behind the scenes, a significant programme of infrastructure work is underway. We are in the middle of a substantial renewal cycle across the runway, airfield lighting, and essential services. These investments are not always visible to passengers, but they are critical to maintaining safe, reliable, and resilient operations. As a regional lifeline utility, our role is clear: the airport must be able to operate safely and consistently when the region needs it.

The financial environment during the year required careful management. The sector continues to face higher operating costs, constrained airline capacity, and softer demand in parts of the market. In this context, our focus has been on protecting the core network, maintaining affordability, and lifting commercial performance where opportunities exist. This includes continued work to improve commercial decision-making across the business.

For the year, Dunedin Airport recorded 876,699 passengers (up 2.7%), $24.7M operating revenue (up 4.3%) and an operating surplus before taxation of $2.3M (down 62.2%). Non-passenger service revenue was $7.4M (up 13.5%), reflecting the continued importance of commercial diversification.

Safety remains our top priority. This year, we continued to invest in the systems, capability, and culture needed to operate safely, manage risk effectively, and contribute to airport safety leadership in Aotearoa New Zealand and the wider aviation community. This included a significant safety capability milestone for the business, which is covered in more detail in the Safety section of this report.

We also continued to progress our sustainability work, including carbon management, waste reduction, and broader environmental performance. This year, we achieved Airport Carbon Accreditation Level 4 and commissioned our first major rooftop solar installation, while improving the quality of our data, reporting, and accountability.

We would like to acknowledge our people, who continue to deliver in a demanding operating environment. Their work is visible in the terminal, on the airfield, across our infrastructure programme, and behind the scenes every day. We also recognise the contribution of our wider airport community and partners, including airlines, tenants, mana whenua, tourism operators, contractors, and local and regional stakeholders.

Dunedin Airport is part of a wider system, and strong partnerships are essential to delivering outcomes for the region. Our relationship with Te Rūnanga o Ōtākou remains an important part of how we operate, how we reflect the cultural significance of the land, and how we carry out our responsibilities as kaitiaki of this place.

Looking ahead, our priorities remain clear: protecting and growing the network, delivering critical infrastructure renewals, improving the customer experience, strengthening commercial performance, and lifting our environmental performance. We will continue to do this while maintaining safe, resilient operations and staying focused on the long-term needs of the region.

Dunedin Airport plays a critical role for the lower South, supporting the region's economic and social wellbeing through access, trade, tourism, and regional connectivity. Guided by our purpose—to provide a sustainable, thriving gateway in the lower South that connects people, business, and communities to our taoka—we remain committed to building an airport that is resilient, grounded in the place it serves, and ready for the region's future.

Kā mihi nui,

**Daniel De Bono**
Chief Executive

**Chris Hopkins**
Chair

## Year at a Glance

### Capacity

Up

3.5%

2025 Total Seats 1,056,226

2026 Total Seats 1,092,845

**International Capacity** Included in 2026 Total Seats are 62,768 international seats (2025: 1,128 seats)

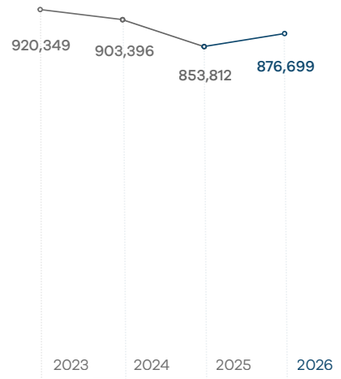
### Total Passengers

On regular scheduled services

876,699

Up

2.7%




**International Passengers** Included in 2026 Total Passengers are 47,383 international passengers (2025: 872 passengers)

## Financial Summary

This summary should be read in conjunction with the full financial statements in Section 2 or online at dunedinairport.co.nz

### Operating Revenue

$24.7M

Up

4.3%

### Non Passenger Revenue

$7.4M

Up

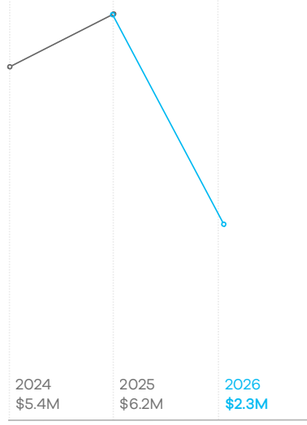
13.5%

### Operating Surplus before Taxation

$2.3M

Down

62.2%

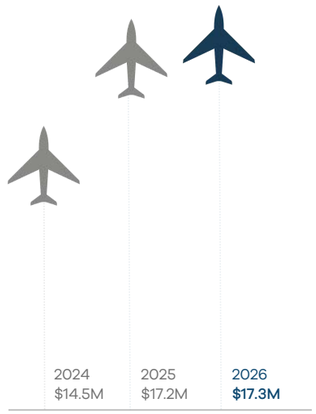



### Airport Services Revenue

$17.3M

Up

0.8%




### Busiest Month of the Year

March 2026

78,914

### Shareholder Funds

$95.8M

Up

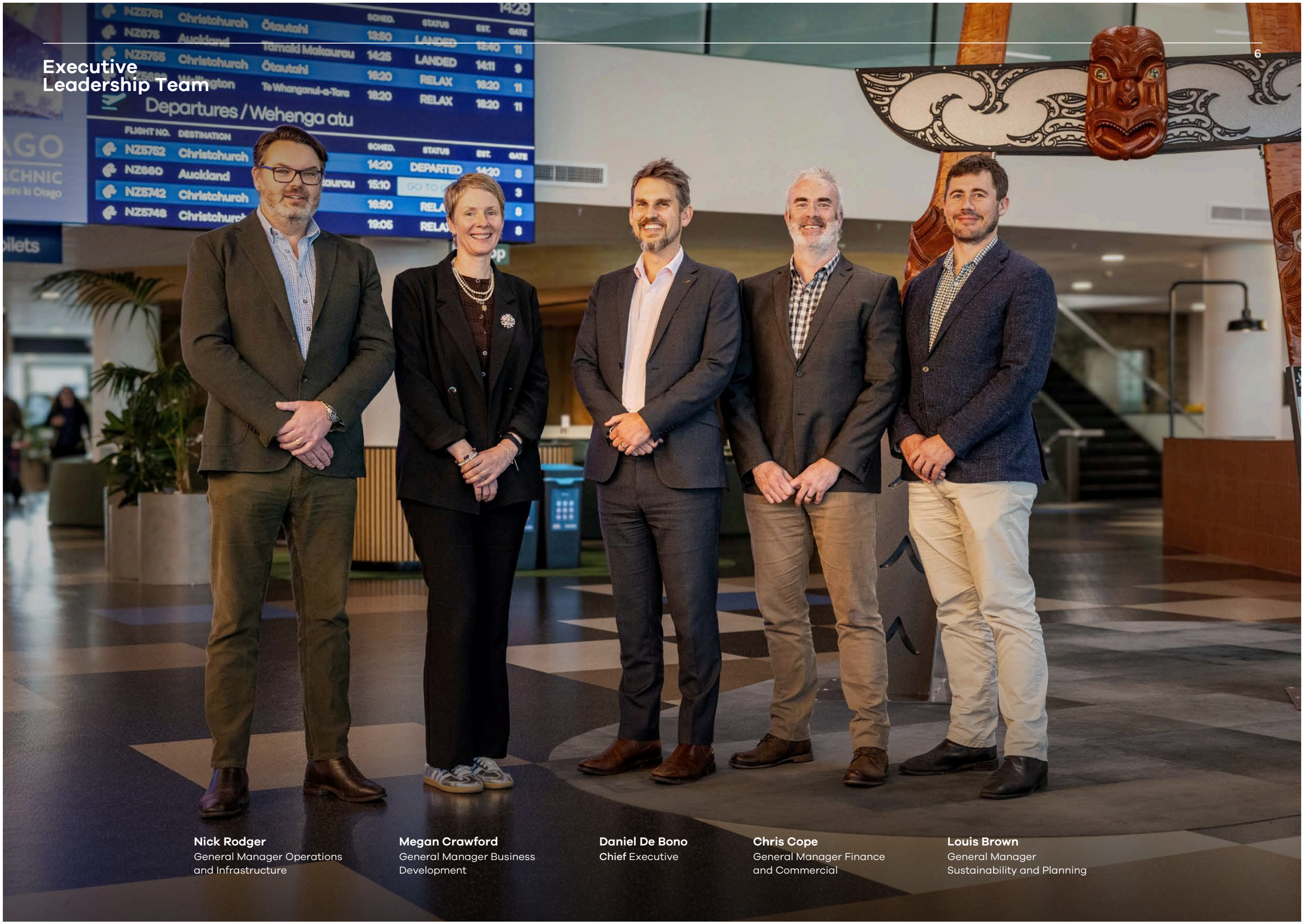
0.1%

### Total Dividend Paid

$1.6M

# Executive Leadership Team






**Nick Rodger**
General Manager Operations and Infrastructure

**Megan Crawford**
General Manager Business Development

**Daniel De Bono**
Chief Executive

**Chris Cope**
General Manager Finance and Commercial

**Louis Brown**
General Manager Sustainability and Planning

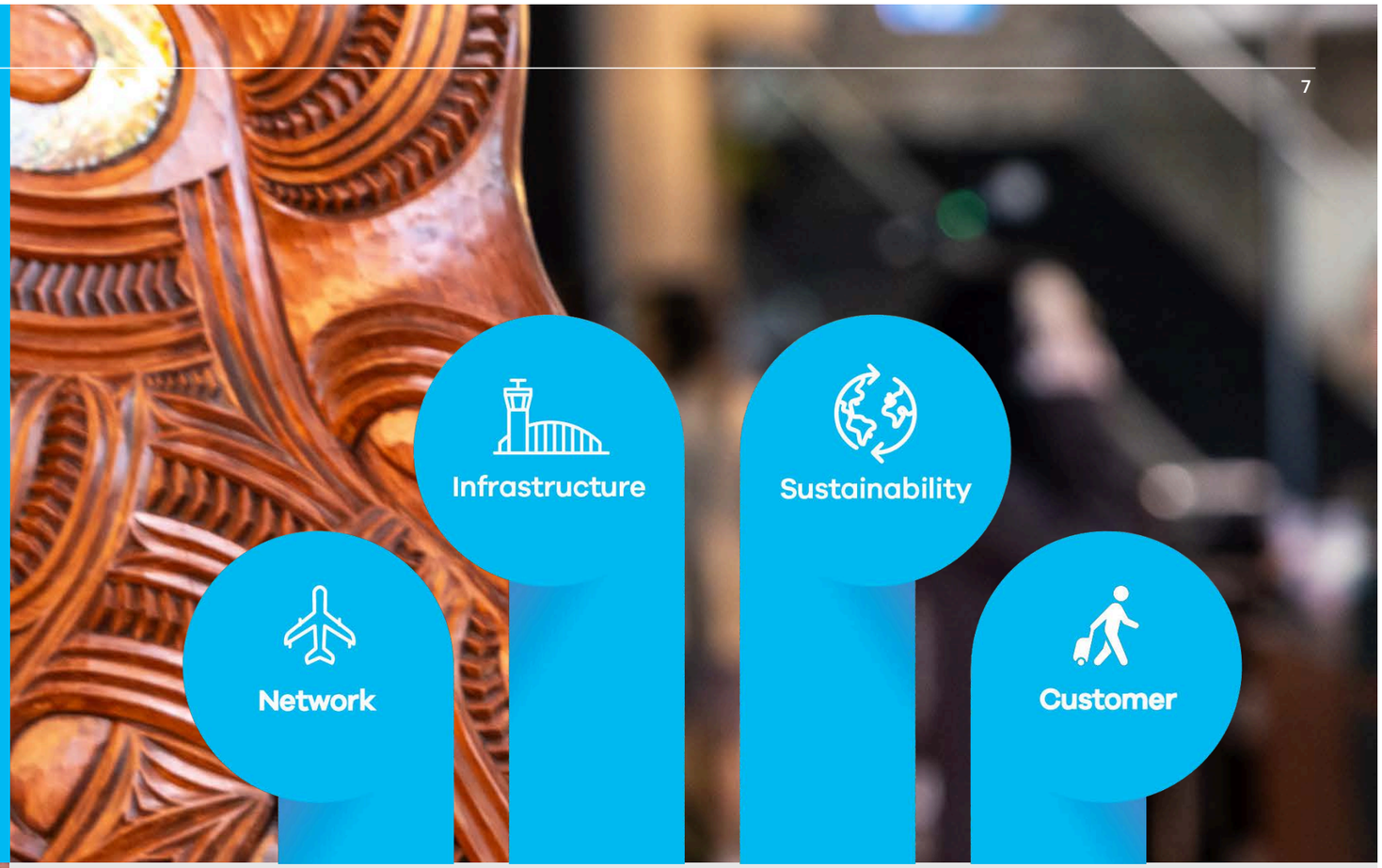
Our Strategy

7

# Our Purpose

## Flight Plan 2050

To provide a sustainable, thriving gateway in the lower South that connects people, business, and communities to our taoka.



### Our foundation

Safety
People
Partnerships

### Values that guide us

Be you
Better together
Can do
Make it easy
We care
Make it happen

## Our Foundation

# Safety

Safety remains Dunedin Airport's highest priority, underpinning every part of our operation: the airfield, terminal, infrastructure programme, airport community, and wider regulatory environment.

During FY25/26, we continued to strengthen the systems, capability, and culture needed to manage risk well and support safe, reliable airport operations. This work has become increasingly important as the airport continues to deliver major infrastructure projects, support regular trans-Tasman services, and meet changing aviation, biosecurity, and workplace safety requirements.

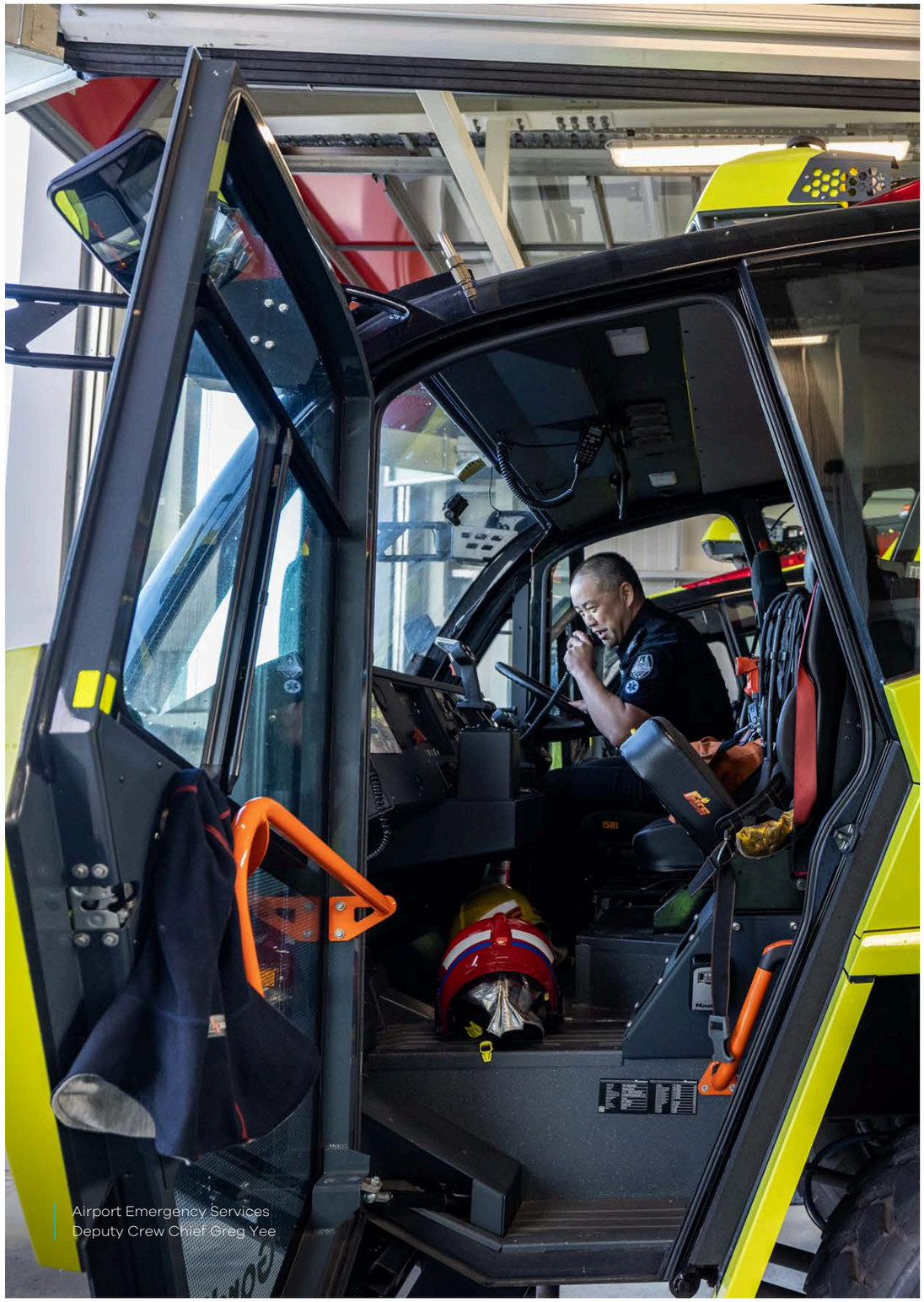
A major milestone this year was achieved by Glenn Knipe, Head of Safety and Compliance, who became the first airport safety professional in Aotearoa New Zealand to complete the ACI-ICAO Airport Safety Professional designation. The programme, delivered by Airports Council International and the International Civil Aviation Organization, recognises expertise in ICAO Standards and Recommended Practices, airport operations, and industry best practice.

The designation supports Dunedin Airport's continued focus on moving beyond compliance and towards more integrated, intelligence-led safety management. It also gives the airport direct access to international safety networks and operational best practice. Glenn has joined the ACI Asia-Pacific and Middle East Regional Operational Safety Committee, making Dunedin Airport the first Aotearoa New Zealand airport represented on the committee and creating an opportunity to contribute to, and learn from, safety leadership across the wider aviation sector.

The airport also continued to build internal safety and compliance capability. Following the SafePlus assessment completed last year, a new Health and Safety Advisor role was established to help manage the growing compliance workload and support day-to-day engagement across the business.

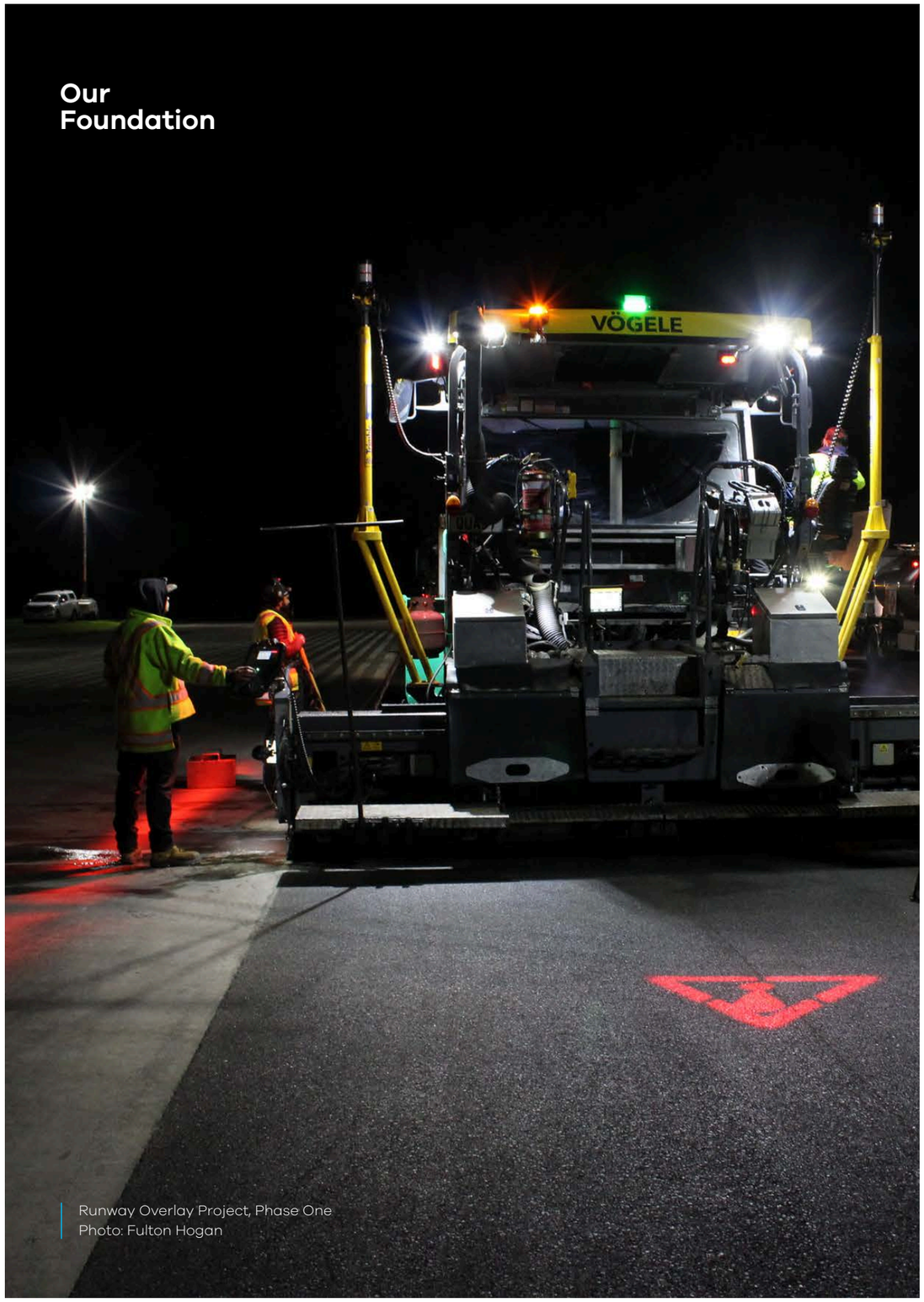
Kierryn Hughes has taken on this role, reviewing and updating Standard Operating Procedures, taking ownership of the Permit-to-Work process, and becoming a practical first point of contact for staff on safety and compliance matters. Kierryn has also undertaken significant training since joining the team, including working at heights and confined spaces training, and will help deliver Airport Safety Week at Dunedin Airport in October as part of the annual New Zealand Airports Association awareness campaign.

Wildlife management was another area of focused improvement. Bruce Smaill, who has worked at Dunedin Airport for many years as an airport firefighter and Crew Chief, was appointed to the new Wildlife Officer role. This dedicated role allows more targeted attention on one of the airport's critical risks: bird strike mitigation.



Airport Emergency Services
Deputy Crew Chief Greg Yee

# Our Foundation




Runway Overlay Project, Phase One
Photo: Fulton Hogan



## Safety (continued)

Bruce's work includes monitoring wildlife activity, managing grass height and food sources, using air cannons, improving existing controls, and identifying new controls around the runway environment.

Locally developed predator cut-outs have also attracted interest from other Aotearoa New Zealand airports as a practical deterrent method. Other airports have contacted Bruce for templates to develop their own versions, and the initiative was covered by the Otago Daily Times last year. Since Bruce moved into the Wildlife Officer role, Dunedin Airport's bird strike rate has reduced and is sitting within the Civil Aviation Authority's "low" designation.

International services continued to require close safety and compliance coordination. As a place of first arrival, Dunedin Airport worked with airport partners to meet MPI and biosecurity requirements, support updated international processing procedures, and ensure facilities and systems remained fit for purpose. This included changes to baggage handling equipment and procedures, with ongoing coordination between Dunedin Airport, PlaneBiz, airlines, border agencies, New Zealand Aviation Security Service, and airport teams. This work complements the operational activity covered in the Around the Airport section of this report.

Several safety and compliance systems also matured during the year. The Airside Vehicle Permitting system, developed in the previous financial year, was implemented and is now supporting safer and more consistent management of airside access. A new Drug and Alcohol Management Plan was developed in response to Civil Aviation Authority requirements for Aotearoa New Zealand aerodromes. Dunedin Airport's plan has been accepted by CAA and will support ongoing safety assurance for staff with airside access.

Work also continued to improve how safety data is captured and used. AeroSimple is increasingly being used not only as a recording tool, but as a source of operational intelligence to support future-facing risk assessment and proactive controls. OnLocation has improved oversight of contractors working across the airport campus, helping ensure people on site are registered, contactable, and visible to the business.

While systems and processes are important, some of the strongest progress this year has been cultural. Safety is becoming more embedded in everyday conversations, decision-making, and practical problem-solving across the airport. This has been supported by the Safety and Operational Risk Committee, the Health and Safety Representatives Committee, the Health and Safety Committee, the Safety and Security Shoutouts programme, Airport Safety Week, and the annual Security Awareness campaign developed with Aviation Security.

This cultural shift is also visible in the way staff now raise ideas and solutions. One example this year was to use citric acid at the wastewater treatment plant as a safer alternative to sulphuric acid, helping reduce chemical handling risk. Greg and the airport maintenance team have also helped develop a safer approach to using and sourcing chemicals at the plant, including work on new Standard Operating Procedures. This kind of practical, frontline-led improvement reflects the development of a stronger "just culture", where people are encouraged to speak up, identify risk, and contribute to safer ways of working.

Looking ahead, Dunedin Airport will continue to strengthen safety governance, critical control assurance, staff training, contractor oversight, wildlife management, and compliance systems. Safety induction training for new Board members is also being improved, supporting clear understanding of health and safety responsibilities at governance level and providing a stronger safety foundation for incoming directors.

Together, these initiatives reflect a maturing safety environment: one that is compliance-led where it needs to be, but increasingly proactive, intelligence-led, and embedded in the way the airport operates every day.

Staff Profile



## Quickfire questions

Window or aisle?

Tea or coffee?

Cookie or chips?

Hand luggage or hold?

Fold or roll?

Headphones or chit-chat?

Airplane mode or off?

# Kierryn Hughes

Health and Safety Advisor

For Kierryn Hughes, good safety starts with communication, planning, and making sure people are part of the process from the beginning.

Kierryn joined Dunedin Airport this year in the new Health and Safety Advisor role, supporting clear communication about health, safety, and wellbeing across the organisation. The role is about helping teams identify risks early, agree on practical controls, and build shared understanding of the safest way to get work done.

> "No two days have been the same," Kierryn says. "I still have a lot to learn about airport operations, but I am part of a great team that is always happy to share its knowledge."

That variety has been one of the highlights of the role. Airport health and safety can involve anything from water treatment and grass height for wildlife management to the lifespan of asphalt under heavy aircraft weight or jet blast. Even picking up rubbish takes on a new meaning in an airport environment, where Foreign Object Debris (FOD) can cause serious damage if ingested by an aircraft.

For Kierryn, that is what makes the role interesting: safety is not a separate function sitting outside the operation. It is part of everyday decision-making, from planning work on the airfield to supporting teams in the terminal, office, and wider airport campus.

Kierryn says making safety practical means listening to people's concerns and involving them in identifying hazards and controls. Being trusted to lead safety investigations, and being able to apply the training Dunedin Airport has provided, have been highlights from the first six months in the role.

> "The variety of things I get to learn about is what I enjoy most—from water treatment and wildlife management to asphalt, aircraft weight, and jet blast."

## Our Foundation

# People

Our people remain at the centre of Dunedin Airport's success. Across every part of the airport, our team plays an important role in delivering safe, efficient, and welcoming airport operations, supporting our customers and partners, and representing our values in the wider community.

During the year, we continued to focus on building a workplace where people feel connected, respected, safe, and empowered to contribute to the success of the organisation. This focus is especially important in a year shaped by major infrastructure works, the first full financial year of regular Gold Coast services, and ongoing change across the airport operating environment.

Our 2026 Staff Engagement Survey, which achieved an outstanding 94% response rate, showed that 88% of our team feel engaged and connected to the organisation.

Our people continue to feel a clear connection to our purpose, confidence in the contribution they make, and strong support from those they work alongside. The year-on-year comparison of our engagement results also showed that while some areas have moved in relative importance, the overall picture remains positive and reinforces that the foundations of our culture are strong.

Listening to our people remains central to how we improve. Survey feedback, everyday conversations, leadership discussions, and team engagement all help us understand what is working well and where we can do better. This feedback continues to inform our people priorities, leadership focus, and workplace initiatives.

We remain committed to fair and responsible employment practices and to supporting the wellbeing of our people. Our wellbeing programme is now strongly embedded, and continued self-care, personal development, and broader wellbeing remain ongoing priorities.

We also continued our work as a professional member of the International Living Future Institute and submitted our portfolio for review under its JUST Label, a transparent social equity credential.

The framework supports reflection and improvement across employee wellbeing, equity, inclusion, diversity, and community engagement. It provides a useful structure for reflecting on our current practices and identifying opportunities to strengthen the employee experience over time.

Attracting, retaining, and developing great people remains a priority. Our culture is shaped not only by formal programmes and policies, but by the way people are led, supported, and included each day. As we look ahead, our focus is on maintaining the strengths that make Dunedin Airport a great place to work, while continuing to build capability, confidence, and collaboration across the organisation.

By investing in our people and culture, we strengthen the airport for our team, our customers, and the community we serve.

Our Staff Engagement Survey, which achieved a 94% response rate, showed that 88% of our team feel engaged and connected to the organisation. Other highlights include:

**100%**

agree or strongly agree that the purpose of Dunedin Airport is to provide a sustainable, thriving gateway in the lower South, connecting people, business, and communities to our taoka.

**98%**

believe Dunedin Airport acts in a responsible and ethical manner.

**98%**

feel their role contributes to Dunedin Airport's success.

**96%**

feel health and safety is taken seriously at Dunedin Airport.

**93%**

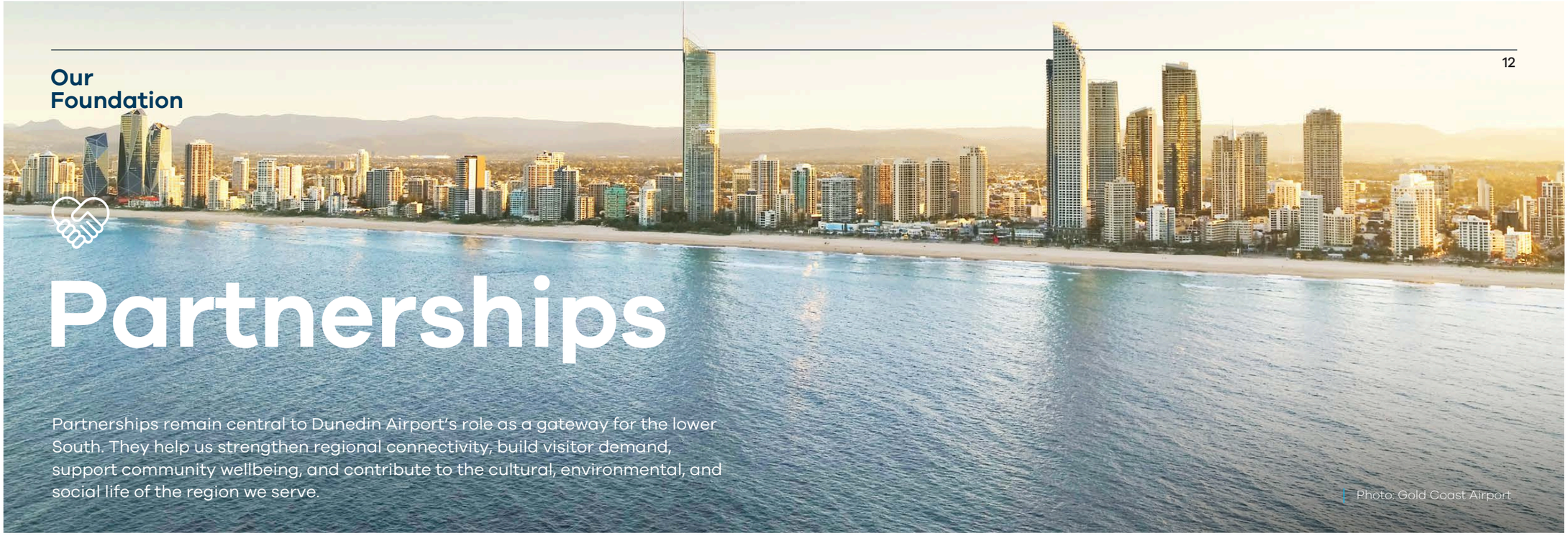
feel Dunedin Airport delivers great customer experiences.

**96%**

feel respected and appreciated, and feel a sense of job satisfaction and personal achievement.

**94%**

feel that Dunedin Airport takes employee health and wellbeing into account consistently in the workplace.





Our Foundation

# Partnerships

Partnerships remain central to Dunedin Airport's role as a gateway for the lower South. They help us strengthen regional connectivity, build visitor demand, support community wellbeing, and contribute to the cultural, environmental, and social life of the region we serve.

Photo: Gold Coast Airport

During FY25/26, a major focus was continuing to build awareness and demand for the Dunedin–Gold Coast service. The first full financial year of regular trans-Tasman services provided a strong platform for destination marketing, trade engagement, and regional collaboration.

Dunedin Airport worked alongside Jetstar, Gold Coast Airport, Experience Gold Coast, Tourism and Events Queensland, Tourism New Zealand, Enterprise Dunedin, Southern Way, and regional tourism partners to keep Dunedin and the lower South visible in the South East Queensland market.

In November 2025, Southern Way received $1.2 million through Stage One of the Ministry of Business, Innovation and Employment's Regional Tourism Boost funding, announced at Dunedin Airport. The funding supported activity aimed at increasing Gold Coast visitation and spend during January–March 2026, with campaign activity focused on the "Tastes of the Southern Way" and delivered alongside partners including Jetstar, TripAdvisor, and the Restaurant Association.

Southern Way's collaborative approach was also recognised at the New Zealand Airports Association awards, where the Southern Airport Alliance and Southern Way received Commercial Initiative of the Year for the One Trip to See It All campaign.

The campaign continued in FY25/26, building on the strength of the partnership model and its long-term value for regional connectivity, visitor dispersal, and economic growth.

Dunedin Airport also continued to invest directly in local organisations, events, and initiatives through its Sponsorship and Donation Programme. In FY25/26, $35,750 was allocated to support organisations and initiatives that contribute to community wellbeing, regional development, inclusion, culture, environmental care, and local collaboration.

Funding supported regional events including the Dunedin Diwali Festival, Otago Polyfest, the Hokonui Fashion Design Awards, the Emerson's Dunedin Marathon, and the Taieri A&P Show. Together, these events contribute to the cultural, creative, and recreational life of Otago and Southland, bringing people together and strengthening the region's sense of identity.

Dunedin Airport also supported organisations providing practical care and accessibility across the community, including Ōtepoti Dunedin Whānau Refuge, Dunedin Night Shelter, SuperGrans Dunedin, Age Concern Otago, Dunedin Children's Choir, University of Otago Women in Business, Special Olympics Otago, and Little Miracles Trust. These organisations support people in different ways, from crisis response, emergency accommodation, and older people's wellbeing to accessible music education, leadership development, and opportunities for children, families, and people with disabilities.

Working in partnership with Te Rūnanga o Ōtākou evolved to incorporate mana whenua-led cultural design with the Terminal Enhancement Project. This work ensured the cultural narrative, interpretation, and design decisions were grounded in the mana, history, and stories of the area.

Environmental and local community partnerships also remained important. Dunedin Airport continued its long-standing support for Momona Playgroup, reflecting our relationship with the community closest to the airport

We also supported Valley Cycle Workshop and Te Nohoaka o Tukiauau / Sinclair Wetlands, contributing to practical initiatives that support active transport, ecological restoration, environmental education, and community resilience.

This year also saw the development of the Dunedin Airport Community Solar Fund, a new initiative designed to help schools and community groups install solar systems, reduce energy costs, and redirect more of their budgets towards people and programmes. Silverstream School was selected as the first recipient, with funding allocated to support its solar initiative and associated learning opportunities.

Together, these partnerships show the breadth of Dunedin Airport's contribution beyond the terminal. By working with airlines, tourism partners, mana whenua, community organisations, and regional stakeholders, we continue to support connectivity, care, culture, and environmental responsibility across the lower South.

## Strategic Pillars

# Around the Airport

FY25/26 was a significant year for Dunedin Airport's Operations and Infrastructure team, with major work delivered across the runway, water network, terminal, support buildings, compliance systems, and essential services.

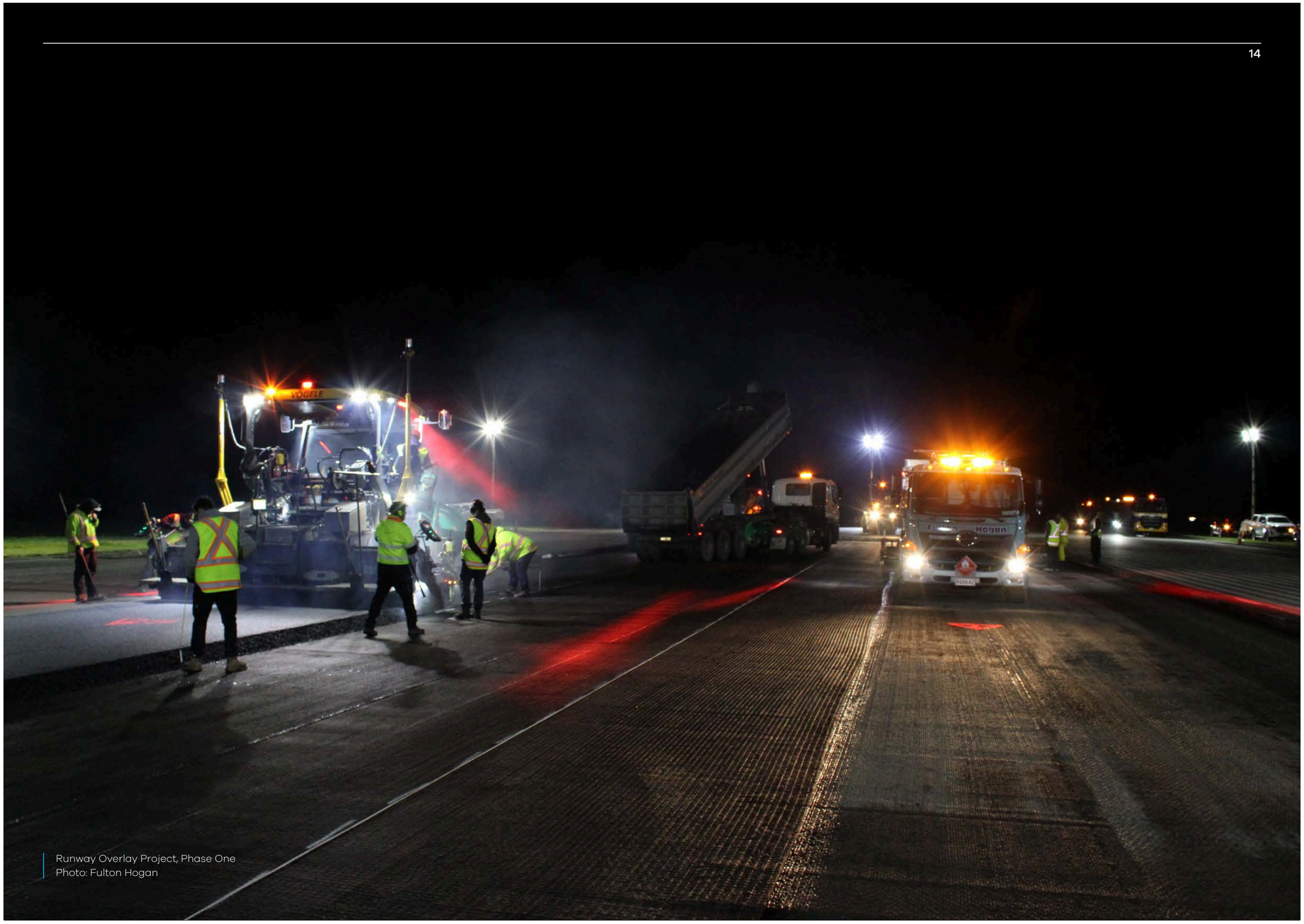
The year's largest infrastructure project was the rebuild of the runway's central keel. This work involved milling out and replacing an 18-metre-wide strip running the full length of Runway 03/21, using high-strength EME2 asphaltic concrete to upgrade pavement that has supported airport operations for more than 60 years. The new structural asphalt layer ranges in depth from 110mm to 160mm and forms the first stage of a two-stage runway renewal programme.

Delivered by Fulton Hogan, the project was a complex, around-the-clock operation. Across 32 night shifts over approximately seven weeks, crews removed and replaced large sections of runway pavement while ensuring the runway reopened each morning for scheduled services. The project required close coordination between contractors, engineers, airport operations, Airport Emergency Services (AES), airlines, and the wider airport team. It was completed within approved project parameters, with no delayed flights and no recordable injuries.

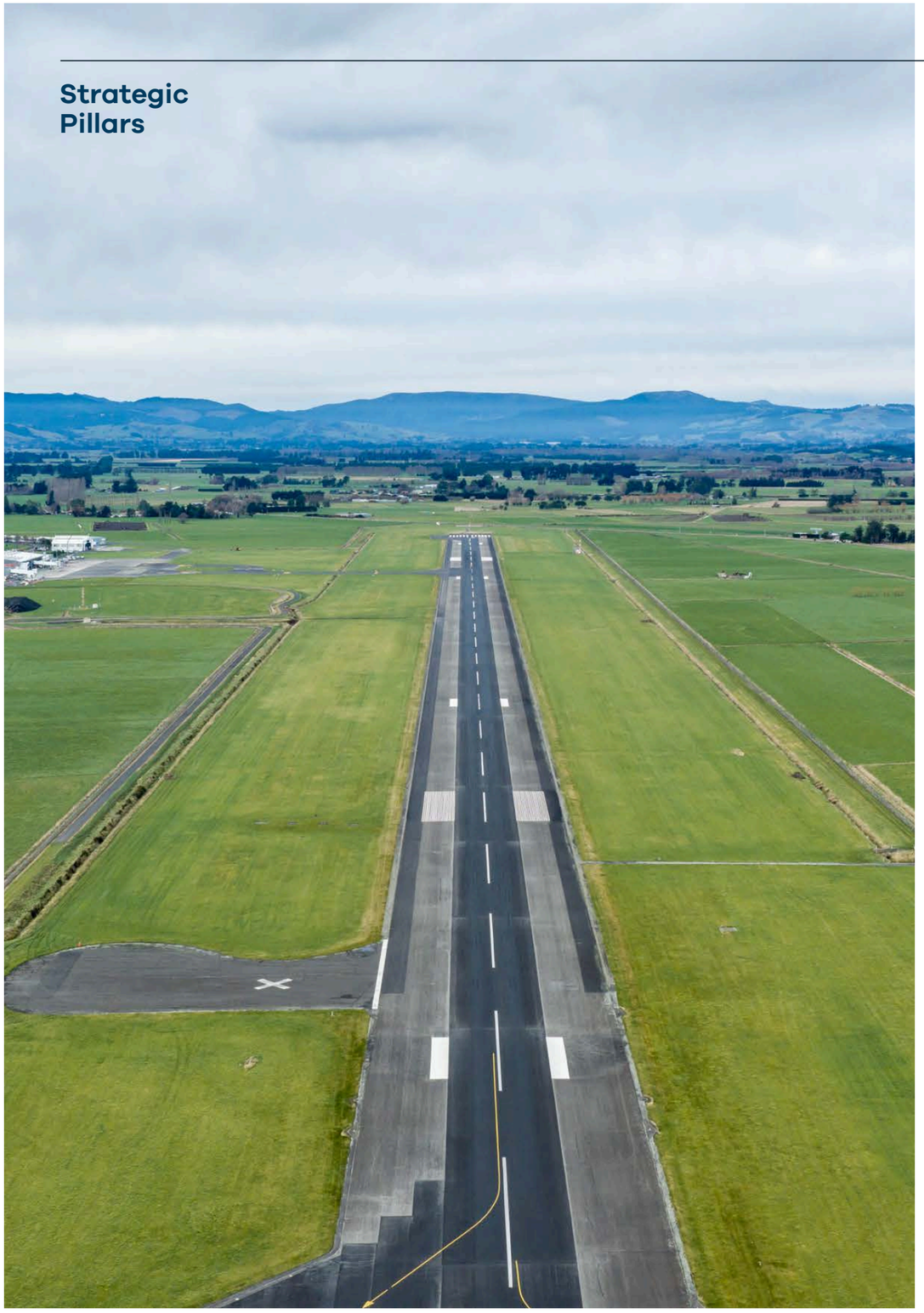
The next stage of the runway programme is planned for summer 2027 and will add a wearing course over the structural layer. This surface will protect the long-life asphalt beneath and can be renewed in future without disturbing the core runway structure. Planning is also progressing for replacing runway edge lighting, with the sequencing of the lighting works closely tied to the next asphalt overlay. This work builds on last year's taxiway rehabilitation and airfield lighting upgrades, and reflects the airport's long-term focus on high-quality, resilient airside infrastructure. It also supports the airport's strategic focus on safe, reliable operations and maintaining the infrastructure needed to support the region over time.

Water infrastructure was another important focus. The airport completed a major upgrade of its water storage and distribution system, replacing long-serving concrete tanks and pump infrastructure with two new 350,000-litre stainless steel tanks, a new pump station, and replacement of aged water mains. The tanks were fabricated off-site in Invercargill and transported to Dunedin Airport. The upgraded system supplies the terminal, on-site tenants, rental car operators, outbuildings, Momona Village, and the airport's firefighting hydrant network, making it a critical resilience project for the wider airport campus.

A new purpose-built Aviation Security Service (AvSec) building was also completed and handed over during the year.




Runway Overlay Project, Phase One
Photo: Fulton Hogan



## Strategic Pillars



## Around the Airport (continued)

The 360-square-metre facility provides dedicated office, meeting, training, and staff amenity spaces, consolidating AvSec's airport operation in a modern building designed for its long-term needs. The project also included EV charging infrastructure and required careful coordination on an active operational site.

The Terminal Enhancement Project also had a significant infrastructure and operational component. The project reconfigured the Level 1 retail and food and beverage precinct, relocated kitchen operations during construction, and opened up sight lines across the upper terminal. By shifting retail and hospitality activity away from the centre of the space, the project completed a major stage in the terminal's multi-year transformation, building on earlier expansion works and continuing this year through the Level 1 retail, hospitality, and lounge improvements.

From an operational perspective, the team supported passenger movement around construction areas, helped maintain access and flow to gates, and supported the airport's ability to keep moving while work was underway.

FY25/26 was also the first full financial year of regular Gold Coast services. Much of the preparation for international operations was completed before the first flight, but the year marked an important shift from launch mode into steady day-to-day delivery. Behind the scenes, the operations team continued to work with airlines, ground handlers, border agencies, AvSec, and airport partners to support international processing, passenger flows, and daily operational requirements.

This included work to support the airport's obligations under the Civil Aviation Act 2023, including the required Airport Registration process as well as development of the Regulatory Airport Spatial Undertaking, which ensures the airport is meeting its obligations with government agencies. While most passengers will never see this work, it supports safe, compliant, and reliable airport operations, and helps make international services feel routine.

Other essential infrastructure work continued in the background. A new 850kVA generator was purchased and installed, replacing the aged existing terminal generator, and relocating critical backup power infrastructure to a more suitable operational location. The airport also continued to maintain the existing wastewater treatment plant while design work progresses on a long-term replacement facility.

Operational systems and asset management also continued to mature. Dunedin Airport implemented its Asset Management Plan, allowing for the development of data-driven Long Term Asset Renewal Programmes.

The Operations Systems Technician role has strengthened day-to-day operational response, asset management, IT support, and system administration. This includes work to improve the way operational assets are recorded, monitored, and maintained across the business. The team also continued staff training and system awareness work to support business continuity.

Much of this operational work is deliberately quiet. A well-run airport is often measured by smooth daily performance: fewer disruptions, faster responses, reliable systems, and a better experience for passengers, airlines, and airport users. This year, the team supported major works, maintained day-to-day operations, and kept essential systems running across a busy and changing airport environment.

Work this year also included the refresh of Dunedin Airport's Aviation Masterplan, an evolution of the (pre-COVID) existing document from 2019. This document protects the site footprint necessary for the airport's continued operation and development over the coming decades.

Looking ahead, planning remains a major focus, with continued planning for car park improvements, runway lighting upgrades, the next stage of runway resurfacing, flood resilience, asset management, wastewater renewal, and long-term airfield planning.

Together, these projects reflect a deliberate approach to renewing critical assets, strengthening operational resilience, improving the passenger experience, and ensuring Dunedin Airport remains safe, reliable, and ready to support the long-term needs of the lower South.

# Greg Yee

## Deputy Crew Chief, Airport Emergency Services

For Greg Yee, the role of an airport firefighter is practical, varied, and built around readiness.

Based within Airport Emergency Services (AES), Greg describes the role as multifaceted, with aviation firefighting and medical response at its core. His mechanical background has also proved valuable, giving him the skills, experience, and confidence to problem-solve and think practically in a busy airport environment.

Greg is Deputy Crew Chief for Red Watch, working alongside the Crew Chief to plan and manage the crew's day-to-day tasks, duties, and training.

He says the strength of Red Watch (one of three around-the-clock AES shifts) comes from clear communication, shared understanding, and the different skills, experiences, and perspectives each person brings to the role.

AES is often called when something practical needs to be resolved, and the work can involve more than people might expect. One memorable "can you help with this?" moment was preparing for the possibility of assisting with an urgent birth at the airport.

That mix of response capability, practical support, and problem-solving is what keeps the role interesting for Greg.

A highlight from his time at Dunedin Airport has been passing his recruit course after a long time away from books and study.

It was a proud moment, and one that reflected the ongoing learning and readiness required in an Airport Emergency Services role.

Asked about his favourite piece of AES equipment, Greg says:

> "My heart is saying the Deutz tractor, but in reality, it is the Rosenbauer Panther 6x6S (pictured). It is world-class and, in an emergency situation, it will perform to its full capabilities."

## Quickfire questions

Window or aisle?

Tea or coffee?

Cookie or chips?

Both.

Hand luggage or hold?

Fold or roll?

Headphones or chit-chat?

Airplane mode or off?

## Strategic Pillars

# Sustainability

Sustainability remained a key focus during FY25/26 as we continued to strengthen environmental performance and embed sustainability into the way we plan, invest, and operate.

Major milestones included achieving Level 4 Airport Carbon Accreditation, commissioning our first major rooftop solar installation, strengthening carbon management and assurance, and publishing our first standalone Sustainability Report.

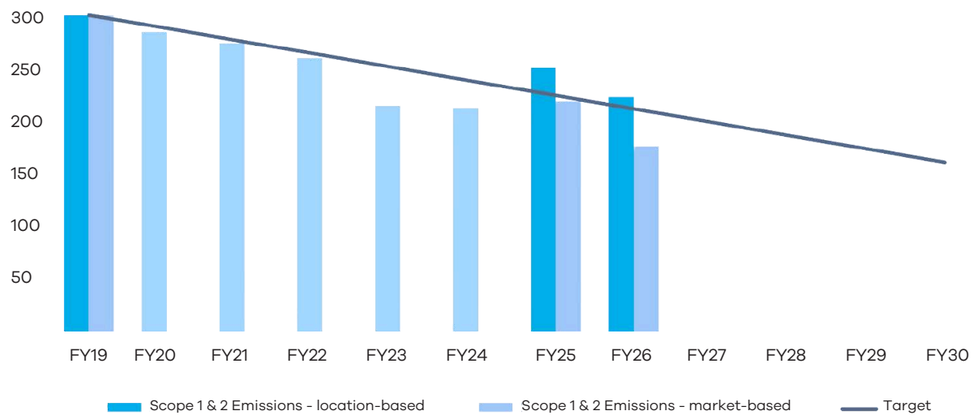
## Sustainability at a Glance

### Carbon measurement and assurance

| Emissions * | FY19 (base year) | FY26 (location-based) | FY26 (market-based) | Change (%) (FY19 baseline) |
|---|---|---|---|---|
| | tCO2-e (metric tonnes of carbon dioxide equivalent) | | | |
| Scope 1: Direct | 109 | 95 | 95 | -12% |
| Scope 2: Indirect energy | 192 | 128 | 82 | -58% |
| Scope 3: Other indirect emissions | 56,965 | 45,365 | 45,365 | -20% |
| **Total** | **57,266** | **45,588** | **45,541** | **-20%** |
| ACA Only | 52,495 | 41,503 | 41,456 | -21% |
| Scope 1 and 2 | 301 | 224 | 177 | -41% |

### Annual performance: Net Zero** 2030 carbon reduction target

Annual Scope 1 and 2 Emissions




* Refer to the FY25/26 Greenhouse Gas Emissions Inventory Report for reporting boundaries, inclusions and exclusions for Scope 1, 2, and 3 emissions.

**Net zero means we have taken all practical steps to reduce our greenhouse gas emissions, leaving only residual emissions, generally no more than 10%. These remaining emissions are then balanced by human-led removals, such as afforestation through approved carbon offset removals.

## Carbon management

Dunedin Airport achieved Level 4 Airport Carbon Accreditation in September 2025. This recognises that the airport has established an absolute emissions-reduction pathway and a plan to support supply-chain partners to reduce emissions.

Our Carbon Management Plan for operational Scope 1 and 2 emissions and Stakeholder Partnership Plan for Scope 3 emissions were independently reviewed through the accreditation process.

We also obtained independent assurance of our FY19 greenhouse gas emissions baseline for the first time. The baseline was subsequently recalculated and re-assured at year end where methodology changes required it, strengthening the integrity of our targets and future reporting.

Year-end reporting confirms that combined Scope 1 and 2 emissions remained on track against our pathway to reduce operational emissions by 46.2% from the FY19 baseline by 2030.

The terminal rooftop solar array was commissioned in December 2025. Its first months of operation reduced grid electricity use despite increased demand following the reopening of the international terminal. The results also improved our understanding of seasonal solar performance and will inform future solar and energy-efficiency investment.

Dunedin Airport joined ten other Aotearoa New Zealand airports in adopting the Platform for Analysing Carbon Emissions (PACE) global software programme.

PACE is providing a consistent sector methodology for measuring aircraft emissions and supporting future engagement with airlines.

Increasing use of new-generation aircraft also delivered measurable benefits. Across FY26, these aircraft were estimated to avoid approximately 1,314 tonnes of carbon dioxide equivalent compared with older equivalent aircraft. They reduced estimated aircraft emissions by an average of approximately 2.1%, with greater reductions on some services, particularly the Dunedin–Gold Coast route.

## Freshwater and environmental management

Nutrient and groundwater modelling was undertaken across the Airport's farming operations to improve our understanding of non-point-source discharges and support future target setting. This work will inform a site-wide Source Control Action Plan bringing together point-source and diffuse freshwater impacts, monitoring requirements and proposed reduction initiatives.

We continued investigating historic per- and polyfluoroalkyl substances (PFAS) contamination associated with legacy firefighting activities. The annual Ground Contamination Report was updated and submitted to the Otago Regional Council. Further planned work includes two additional deep-aquifer monitoring bores and a freshwater biota study to better understand potential ecological risks.

Environmental planning and contaminated-land controls were integrated into major infrastructure projects, including runway resurfacing, temporary asphalt production, an apron extension, and perimeter road and airfield lighting works. The airport's in-house planning capability maintained regulatory oversight while supporting timely delivery and reducing external costs.

A Biodiversity Options Assessment was completed for the airport campus and will be updated to include the Kirks Drain Road property. Funding has been approved to begin appropriate native planting and biodiversity enhancement work in FY26/27.

Waste remains an area requiring improvement. Terminal landfill diversion was 18.8% in FY25/26, below our 30% target.

Following a detailed audit by Wānaka Wastebusters, initial funding has been allocated for improved recycling infrastructure, clearer signage, an upgraded waste-transfer area and potential onsite sorting under the next terminal combined cleaning and waste contract.

Dunedin Airport Open Collection Award winner Alex O'Hanagan, Hokonui Fashion Design Awards
Photo by Jackie Gay

## People, community, and partnerships

Partnerships remain central to our sustainability approach. The cross-functional Electricity Committee brought together operational, infrastructure and sustainability expertise to improve metering, identify energy-efficiency opportunities and develop future solar projects.

We collaborated with the University of Otago and Queenstown Airport on the joint procurement of lower-emissions electricity. We also worked with electricity retailers, Aurora Energy and the Energy Efficiency and Conservation Authority on electricity supply, distributed generation and energy-efficiency opportunities.

Aviation sector collaboration also strengthened. The shared PACE platform provides a consistent basis for engaging with airlines, while discussions with Menzies and others explored further electrification of ground-support equipment and greater use of terminal-supplied electricity in place of fuel combustion.

A Dunedin Airport representative was elected Co-Chair of the Otago Regional Council, Department of Conservation and Aukaha-led Taieri River catchment process. This provides an opportunity to contribute to collective catchment planning while ensuring the Airport's operational and long-term infrastructure requirements are represented.

Other community initiatives included developing the Silverstream School solar concept with Port Otago, participating in Dunedin Zero Carbon Alliance projects, and investigating local carbon-removal opportunities with wider biodiversity, freshwater and community benefits.

Our approach also recognises that place, culture and long-term relationships are part of operating responsibly. Work with Te Rūnanga o Ōtākou, supported by Aukaha where appropriate, continues to inform how the Airport reflects the cultural significance of the land, shares local stories and strengthens its role as a gateway to the lower South Island.

These themes are explored further in the People and Partnerships sections of this report and in more detail within our 2026 Sustainability Report.

## What's next

In FY26/27, our focus is on further embedding sustainability into core operations and business delivery.

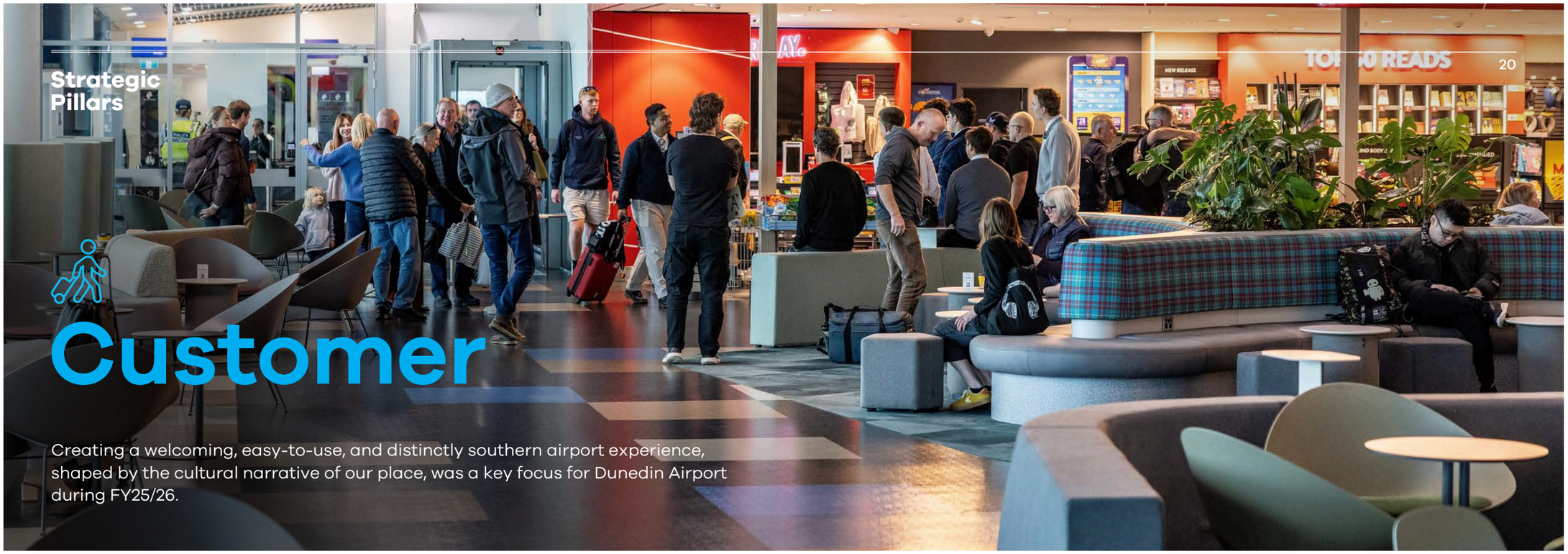
We will continue reducing electricity demand through the existing terminal solar array, planned installations on the AvSec and Airport Emergency Services buildings, a potential farm solar project and further energy-efficiency improvements.

The Source Control Action Plan will consolidate freshwater information and establish priorities for monitoring and discharge reduction. Additional PFAS investigations, biodiversity planning, native planting and implementation of the Wānaka Wastebusters recommendations will also progress.

The Kirks Drain Road acquisition provides an opportunity to develop a more efficient, lower-emissions and lower-discharge farming operation while protecting land required for long-term Airport infrastructure.

We will also advance climate-risk and adaptation planning and continue developing local carbon-removal options through the Dunedin Zero Carbon Alliance.

Our direction remains clear: reduce the emissions we control, support reductions in the emissions we influence, strengthen environmental stewardship and build the Airport's long-term resilience and regional contribution.



Strategic Pillars

20

# Customer

Creating a welcoming, easy-to-use, and distinctly southern airport experience, shaped by the cultural narrative of our place, was a key focus for Dunedin Airport during FY25/26.

The completion of the Terminal Enhancement Project marked a significant step forward in how the terminal feels and functions. Building on the work signalled in last year's report, the project reconfigured the first-floor retail, hospitality, seating, and lounge areas to create a more open, comfortable, and intuitive passenger environment.

The project also strengthened the terminal's sense of place. Mana whenua narratives helped shape both the artworks and the wider design approach for Level 1, with Space Studio drawing on local landscape, colour, and the idea of arrival and departure. The result is a terminal environment more clearly anchored in Taiari and the wider lower South.

The completed space includes Xoë Hall's (Kāi Tahu, Te Rakiāmoa, Ngāi Te Ruahikihiki) large-scale Mauka Atua mural and Steve Solomon's (Kāi Tahu, Ngāti Whakaue, Ngāti Pikiao, Te Whānau-ā-Apanui) carved kūwaha. Together, these works bring Kāi Tahu narratives into the passenger experience, reflecting the significance of Mauka Atua, the Taiari landscape, mahika kai, whakapapa, arrival, departure, and safe travel. They also help bring the whenua, stories, and cultural significance of the area into the passenger experience.

The project delivered two new food and beverage outlets operated by West End Hospitality Group: Fuel to Fly, a refreshed grab-and-go café, and Provenance, a full-service restaurant and bar showcasing local flavour and a more relaxed dining experience. Together, these changes have strengthened the overall customer experience and created a more flexible, welcoming Level 1 environment.

The new layout has opened up sight lines across Level 1, reduced clutter, and made it easier for passengers to understand the space when they arrive at the top of the escalators. It has also created more places for people to sit, work, eat, wait, and relax. The former Discover Dunedin area has become a quieter space for passengers wanting to use laptops or take time away from busier parts of the terminal, while the wider seating layout helps the Customer Experience team identify and assist passengers who may need support.

Accessibility also remained an important part of the customer experience programme. Following an accessibility audit, a number of practical improvements were made, including new signage, an Access Zone in the baggage claim area, additional bathroom hooks, repositioned toilet paper dispensers to improve access to support rails, and quieter seating options for passengers who may benefit from lower-stimulation spaces. Further accessibility improvements are planned.

FY25/26 was also the first full financial year of regular Dunedin–Gold Coast services. For customers, this meant a more settled international travel experience, with continued access to Voyage Duty Free, international food and beverage services, refreshed airside retail, and terminal spaces better suited to trans-Tasman travellers. The timing and nature of the service also supported different passenger needs across the terminal, including longer dwell times, family and leisure travel, and use of food, beverage, retail, and car parking services.

Customer feedback remained positive during the refurbishment period and strengthened once the new spaces were complete. Monthly survey results showed customers continued to rate the airport highly for cleanliness and friendliness.

In May, the first full survey period after renovations were complete, the Facilities Net Promoter Score was 36, while the Airport Promoter Score was +23. Feedback also showed appreciation for the refurbished terminal layout and the more open feel of the new Level 1 space.

A new customer feedback platform has helped the airport and its commercial partners better understand passenger sentiment more regularly. Feedback is now shared with relevant tenants each month, supporting a more responsive approach to service improvement. This work is still developing, but it gives the airport a stronger basis for identifying trends, responding to issues, and improving the experience over time.

Insights gathered during the year are also helping shape the next stage of customer experience work, including car park improvements, landside access, wayfinding, and terminal amenity. A new children's play space near Provenance is also planned for the next financial year.

While terminal activations were more limited during the refurbishment period, Dunedin Airport continued to support moments of community, care, and local creativity in the terminal. Charity collections included Daffodil Day, the Breast Cancer Foundation appeal, and the RSA's ANZAC Day red poppy appeal. The Artist in the Terminal programme also continued, with rotating quarterly exhibitions bringing local creativity into the passenger journey.

As we look ahead, our customer focus remains clear: making the airport easier to navigate, more comfortable to spend time in, more accessible for different passenger needs, and more reflective of the place it serves. The work completed this year provides a stronger foundation for a terminal experience that is welcoming, practical, and distinctly reflective of the lower South.

Staff Profile

# Angela Hoy

## Customer Experience Team Member

For Angela Hoy, a good customer experience often starts with something simple: a friendly face, a calm voice, and a willingness to help.

Based in the terminal, Angela is part of the Customer Experience team supporting passengers between check-in and boarding, as well as those arriving at Dunedin Airport.

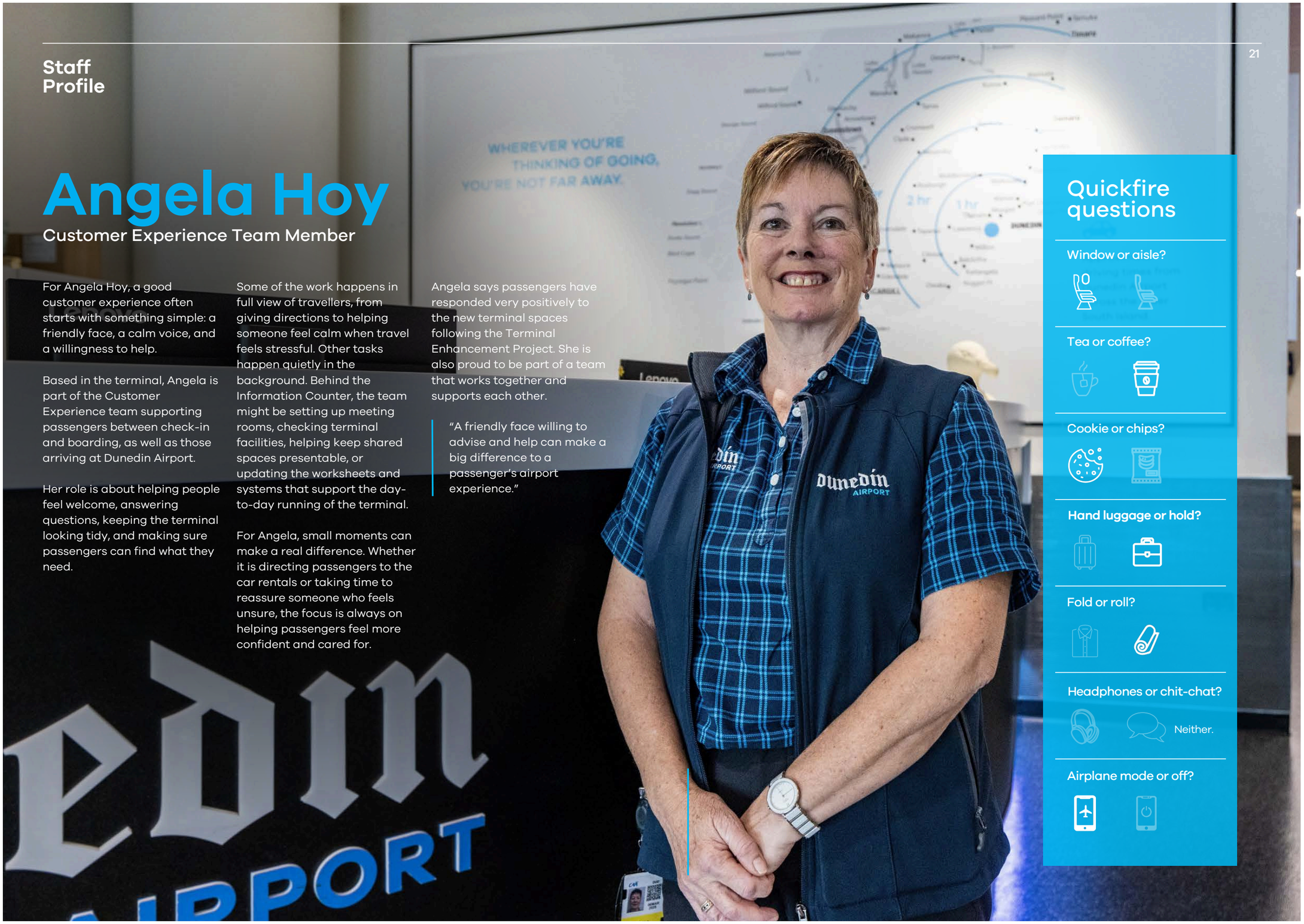
Her role is about helping people feel welcome, answering questions, keeping the terminal looking tidy, and making sure passengers can find what they need.

Some of the work happens in full view of travellers, from giving directions to helping someone feel calm when travel feels stressful. Other tasks happen quietly in the background. Behind the Information Counter, the team might be setting up meeting rooms, checking terminal facilities, helping keep shared spaces presentable, or updating the worksheets and systems that support the day-to-day running of the terminal.

For Angela, small moments can make a real difference. Whether it is directing passengers to the car rentals or taking time to reassure someone who feels unsure, the focus is always on helping passengers feel more confident and cared for.

Angela says passengers have responded very positively to the new terminal spaces following the Terminal Enhancement Project. She is also proud to be part of a team that works together and supports each other.

> "A friendly face willing to advise and help can make a big difference to a passenger's airport experience."




### Quickfire questions

Window or aisle?

Tea or coffee?

Cookie or chips?

Hand luggage or hold?

Fold or roll?

Headphones or chit-chat?

Neither.

Airplane mode or off?

Chief Executive Daniel De Bono speaking at the whakawātea for the completed Terminal Enhancement Project, Level 1

Completed Terminal Enhancement Project, Level 1:
Provenance restaurant and the new mural

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## Section 2

# Annual Financial Statements

**for the year ended 30 June 2026**

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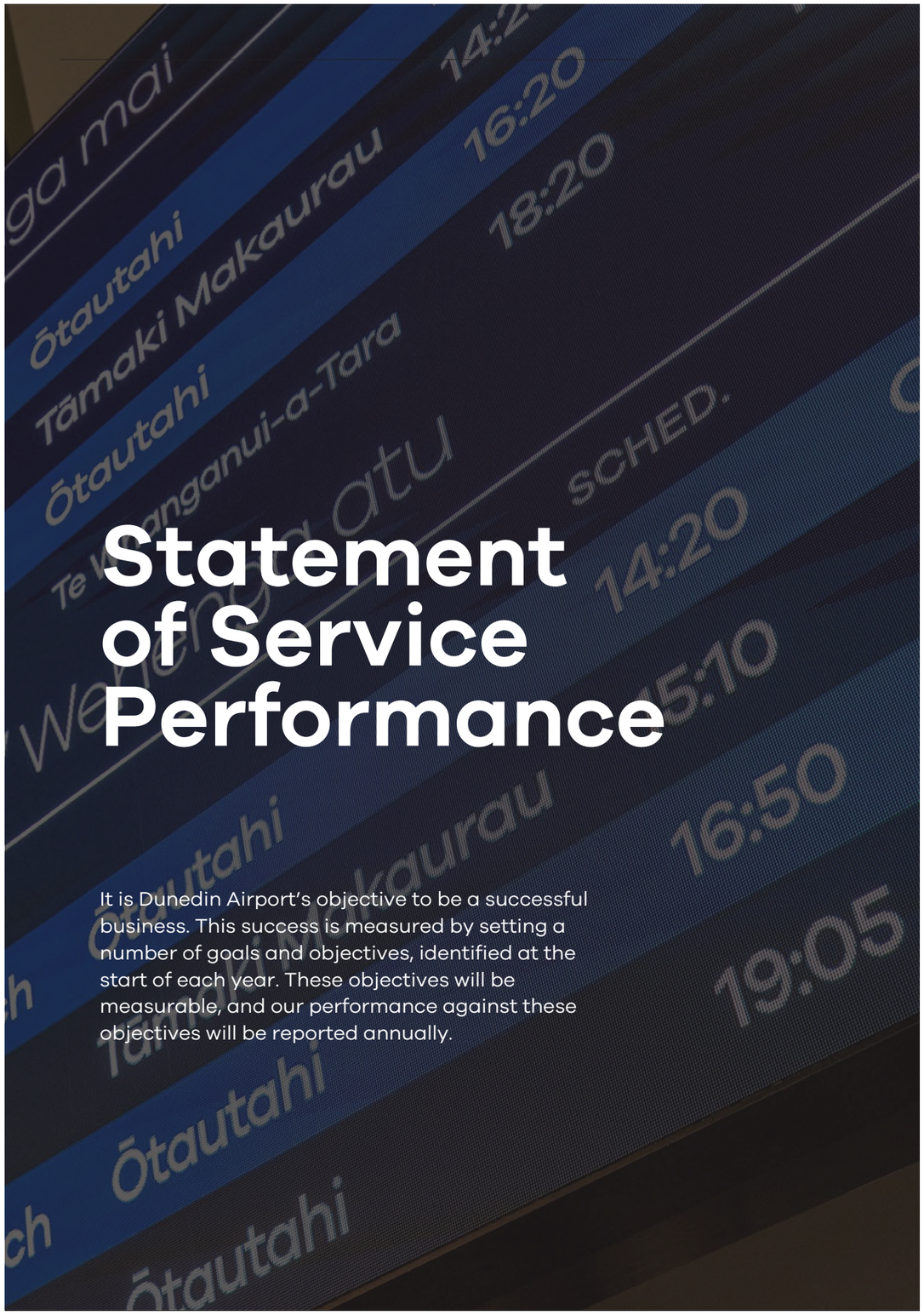


# Statement of Service Performance

It is Dunedin Airport's objective to be a successful business. This success is measured by setting a number of goals and objectives, identified at the start of each year. These objectives will be measurable, and our performance against these objectives will be reported annually.



## Strategic Goal: Safety

**To exceed expectations and never compromise on safety.**

| Objectives | Performance Measures | Update |
|---|---|---|
| **Transform our approach to safety and security risk management** | Nil Serious harm (as defined in the WorkSafe Accident and Accident Notification Definitions) to our staff, airports users or contactors | **ACHIEVED**<br><br>There were no serious harm injuries during the 2026 financial year. |
| | Nil runway incursions | **ACHIEVED**<br><br>There were no runway incursions during the 2026 financial year. |
| **Promote and steward airport security** | Achieve zero avoidable security incidents | **ACHIEVED**<br><br>Forty-one breaches of the Dunedin Airport Safety and Security Rules were recorded during the year. However, none resulted in a Security Incident as defined in Civil Aviation Act Rule Part 12. |
| **Enhance wildlife hazard management** | Strike rate <5 strikes per 10,000 on 12-month moving average | **ACHIEVED**<br><br>The 12-month moving average as of 30 June 2026 was 5.0*, with a low and downward Incident Rate Trend.<br><br>*These statistics are based upon DIAL Wildlife Hazard Management data, which collates information from Airways, Airlines, CAA, and internal sources, to avoid conflicting/duplicate reports. |

## Strategic Goal: Sustainability

**To be considered one of Aotearoa New Zealand's most sustainable airports.**

| Objectives | Performance Measures | Update |
|---|---|---|
| **Increase waste diversion from landfill** | Increase year-on-year waste diversion rate | **NOT ACHIEVED**<br><br>Last year, total waste volume was 110.8 tonnes, with 21.1 tonnes being diverted from landfill reflecting a 19.1% diversion rate.<br><br>FY26 represents a marginal decrease in the diversion rate. |
| **Provide transparent and authentic sustainability disclosures** | Prepare and disclose our Greenhouse Gas Emissions Inventory in an Annual Sustainability Report | **ACHIEVED**<br><br>FY26 GHG inventory has been prepared and publicly disclosed as a standalone document alongside the 2026 Sustainability Report: see the Greenhouse Gas Emissions Inventory Report at dunedinairport.co.nz/corporate |
| | Obtain Level 4 Airport Carbon Accreditation from Airports Council International | **ACHIEVED**<br><br>Level 4 approval from Airports Council International received 10 September 2025. |



## Strategic Goal: Infrastructure

**To be a world-class small airport, for a world-class small city.**

| Objectives | Performance Measures | Update |
|---|---|---|
| **Maintain our assets to ensure no delays caused by DIAL to scheduled passenger operations** | Zero on-time performance delays to regular passenger transport operations due to airport owned infrastructure | **NOT ACHIEVED**<br><br>Air New Zealand reported seven delays to regular passenger transport operations due to Dunedin Airport owned infrastructure.<br><br>One due to an airbridge malfunction, three due to baggage system malfunctions, one due to an issue with a security gate delaying refuelling, and two due to an urgent repair needed on the runway.<br><br>Jetstar reported no delays due to infrastructure owned by Dunedin Airport. |
| **With shareholder endorsement, develop a visionary airport master plan that incorporates aviation flight forecasting, climate change resilience and adaptation considerations, and critical planning for the airport campus utilities.** | Completion of Strategic Airport Development Framework | **ACHIEVED**<br><br>The Aviation Masterplan was completed and is supported by a suite of related planning documents, including the Climate Risk and Flood Hydrology Study, the Asset Management Plan, and infrastructure-specific planning studies. |

## Strategic Goal: Network

### To nurture, expand, and grow the network.

| Objectives | Performance Measures | Update |
|---|---|---|
| **Work to ensure Dunedin remains a well-connected gateway, benefiting both the community and the broader regional economy** | Year-on-year improvement in passenger volumes | **ACHIEVED**<br><br>Passenger volumes increased by 22,887 (2.7%) during the 2026 financial year to 876,699. |
| | New regional connections | **NOT ACHIEVED**<br><br>No new domestic air route was added to our network. |



## Strategic Goal: Customer

### To deliver world-class customer service.

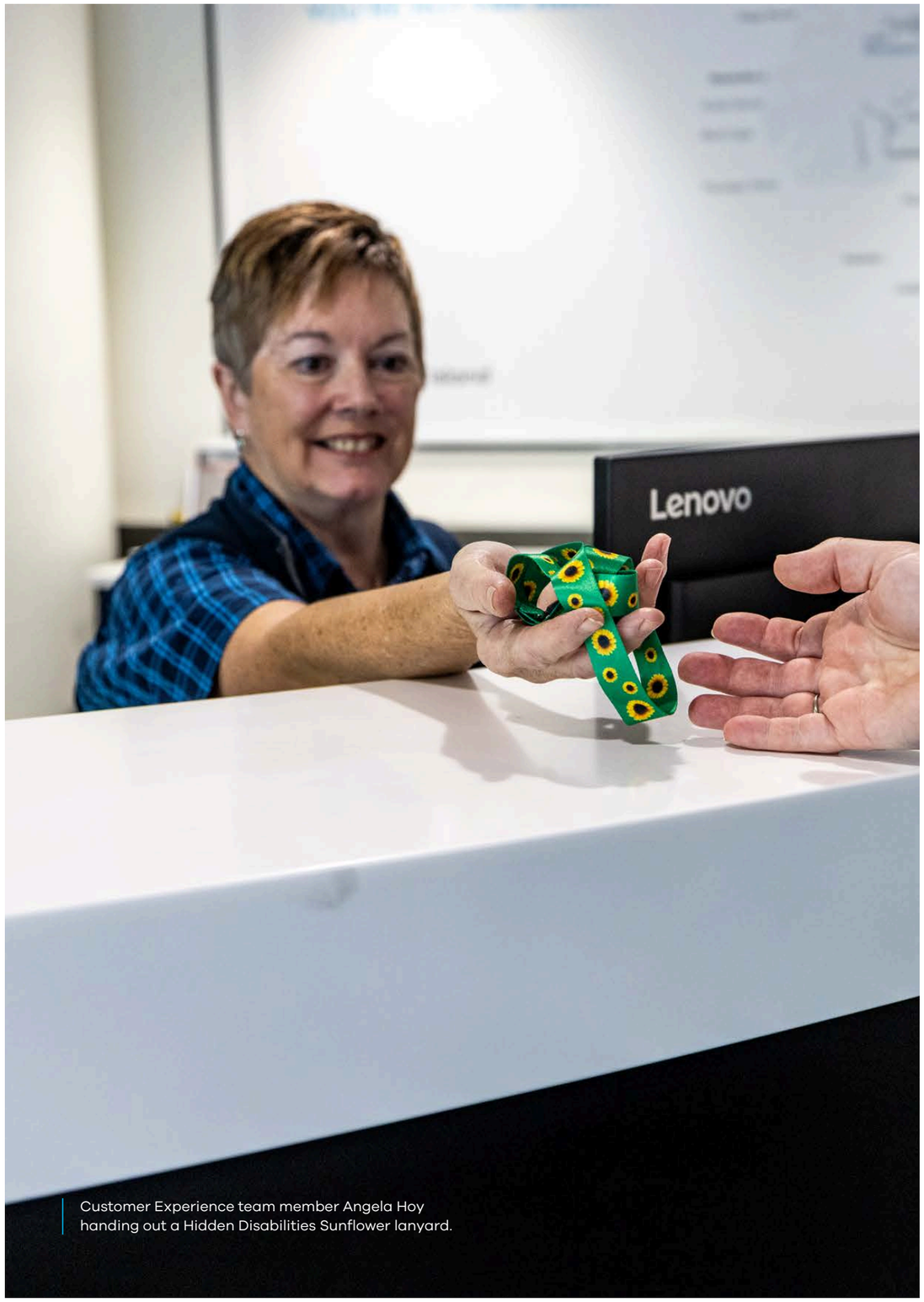
| Objectives | Performance Measures | Update |
|---|---|---|
| **Enhance commercial performance** | Year-on-year increase in net Passenger Spend Rate | **ACHIEVED**<br><br>Passenger Spend Rate increased by $2.20 (8.2%) during the 2026 financial year to $29.04. |
| | Year-on-year increase in net Income per Passenger | **ACHIEVED**<br><br>Income per Passenger increased by $0.46 (6.8%) during the 2026 financial year to $7.19. |
| | Exceed budget in Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements (EBITDAF) per passenger | **NOT ACHIEVED**<br><br>For the year ended 30 June 2026, EBITDAF per passenger decreased by $0.06 (0.4%) to $13.27 |
| **Improve customer experience for all airport users** | Undertake a critical review of the entire airport to ensure we provide a welcoming, dignified and inclusive airport experience for people of all abilities | **ACHIEVED**<br><br>An independent accessibility audit was completed, providing a clear roadmap of short, medium and long-term improvements to create a more welcoming, dignified and inclusive airport experience for people of all abilities. |
| | Measure customer satisfaction through survey tools and feedback mechanisms | **ACHIEVED**<br><br>Customer satisfaction is measured through a continuous airport survey, with feedback analysed and reported quarterly to identify trends, understand the passenger experience and guide ongoing improvements. |

## Strategic Goal: Partnerships

### To develop and strengthen our partnerships.

| Objectives | Performance Measures | Update |
|---|---|---|
| **Continually develop the strength and transparency of our relationships** | Achieve an overall engagement score of over 90% in our annual stakeholder engagement surveys | **NOT ACHIEVED**<br><br>While the 90% target was not achieved, stakeholders provided positive feedback on how Dunedin Airport continues to partner, communicate and engage. |
| | Invest up to a total of $40,000 in the 2026 financial year in sponsorship and donations | **NOT ACHIEVED**<br><br>Invested $35,750 in sponsorships and donations for FY26. |
| | Work with DCHL on aligning our sponsorship policy with the DCC's strategic framework | **ACHIEVED**<br><br>There was no divergence between Dunedin Airports sponsorship policy and the DCC's strategic framework. |
| **Drive meaningful engagement with mana whenua** | Develop a cultural narrative | **ACHIEVED**<br><br>In partnership with Aukaha, a cultural narrative document was produced. This was also in conjunction with the terminal redevelopment work that incorporated design principles of manaakitaka. |

Chief Executive Daniel De Bono with Dunedin Mayor Sophie Barker and Te Rūnanga o Ōtākou representative Paulette Tamati-Elliffe (Kāi Te Pahi, Kāi Te Ruahikihiki (Ōtākou), Te Ātiawa, Ngāti Mutunga)




Customer Experience team member Angela Hoy handing out a Hidden Disabilities Sunflower lanyard.



## Strategic Goal: People

**Our people are our most important asset.**

| Objectives | Performance Measures | Update |
|---|---|---|
| **Be a great place to work with a high-performing team that understands our goals and the role they play** | Conduct comprehensive staff engagement surveys annually, with the target of achieving an engagement score of over 85% | **ACHIEVED**<br><br>The Staff Engagement Survey showed 88% of team members felt engaged at Dunedin Airport, and 94% felt the airport takes employee health and wellbeing into account consistently. |
| | Maintain a rate of unplanned employee absenteeism of 3% or less | **ACHIEVED**<br><br>Average employee absenteeism was 1.9% |
| **Build our employment brand** | Reduce the time it takes to fill employment vacancies to less than 30 days | **ACHIEVED**<br><br>Average time to fill was 23 days. |

## TREND STATEMENT

| For the year-ended 30 June | 2026 | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| **Revenue** | $000 | $000 | $000 | $000 | $000 |
| Operating Revenue: | | | | | |
| Airport services revenue | 17,306 | 17,173 | 14,461 | 14,152 | 7,806 |
| Percentage of Total Revenue | 69.2% | 71.3% | 68.2% | 68.5% | 59.0% |
| Non-passenger services revenue | 7,398 | 6,519 | 6,605 | 6,253 | 5,563 |
| Percentage of Total Revenue | 29.6% | 27.1% | 31.1% | 30.3% | 42.1% |
| Interest income | 56 | 94 | 133 | 99 | 12 |
| Dividend income | 175 | 145 | 128 | 57 | 47 |
| (Loss)/Gain on sale of assets | 186 | (258) | (34) | (1) | (5) |
| (Loss)/Gain on investments | (97) | 413 | (76) | 88 | (201) |
| **Total revenue** | **25,024** | **24,086** | **21,217** | **20,648** | **13,222** |
| Percentage movement from prior year | 3.9% | 13.5% | 2.8% | 56.2% | (9.5%) |
| **Surplus before tax** | **2,330** | **6,172** | **5,350** | **5,927** | **748** |
| Percentage movement from prior year | (62.2%) | 15.4% | (9.7%) | 692.4% | (75.0%) |
| | | | | | |
| **Shareholders' equity** | **95,759** | **95,655** | **88,685** | **85,431** | **82,097** |
| **Comprehensive Income as percentage of Shareholders' equity** | **1.8%** | **12.7%** | **6.5%** | **5.1%** | **13.7%** |
| Dividends paid | 1,600 | 5,136 | 2,500 | 1,023 | 624 |
| **Dividend rate cents per share** | **18.18** | **58.36** | **28.41** | **11.63** | **7.1** |
| Capital expenditure | 22,599 | 14,958 | 3,920 | 4,660 | 893 |
| Net operating cashflow | 11,497 | 8,163 | 7,136 | 9,263 | 3,827 |
| **Net asset backing per share** | **$10.88** | **$10.87** | **$10.08** | **$9.70** | **$9.33** |
| **Equity ratio** | **61.7%** | **66.9%** | **71.7%** | **74.6%** | **72.0%** |

## STATEMENT OF COMPREHENSIVE INCOME

For the year-ended 30 June

| | Notes | 2026 | 2025 |
|---|---|---|---|
| | | $000 | $000 |
| Operating revenue | 4 | 24,704 | 23,692 |
| Interest received | | 56 | 94 |
| Dividend received | | 175 | 145 |
| (Loss)/gain on investment | | (97) | 413 |
| Gain/(loss) on sale of property, plant & equipment | | 186 | (258) |
| **Total revenue** | | **25,024** | **24,086** |
| Directors fees | | 160 | 127 |
| Finance costs – interest expense | | 950 | 589 |
| Depreciation | 3 | 6,302 | 4,868 |
| Loss on revaluation of infrastructure assets | | - | 37 |
| Wages and salaries | | 4,725 | 4,459 |
| Amortisation | 13 | 92 | - |
| Impairment of Contract Assets | 13 | 185 | - |
| Loss on overlay of runway | 3 | 1,736 | - |
| Other operating expenses | | 8,544 | 7,834 |
| **Total expenses** | | **22,694** | **17,914** |
| **Operating surplus before income tax** | | **2,330** | **6,172** |
| Income tax expense | 5 | 677 | 1,570 |
| **Operating (deficit)/surplus after income tax** | | **1,653** | **4,602** |
| **Other comprehensive income** | | | |
| Items that may be subsequently reclassified to profit and loss: | | | |
| Cash flow hedges gain/(loss) taken to hedge reserve | | 71 | (193) |
| Income tax on these items including prior period adjustments | | (20) | 54 |
| Items that will not be subsequently reclassified to profit and loss: | | | |
| Gain on revaluation of property, plant and equipment | | - | 10,630 |
| Income tax on these items including prior period adjustments | | - | (2,987) |
| **Total comprehensive income** | | **1,704** | **12,106** |

This statement is to be read in conjunction with the notes on pages 39 to 52

## STATEMENT OF CHANGES IN EQUITY

For the year-ended 30 June

| | Notes | 2026 | 2025 |
|---|---|---|---|
| | | $000 | $000 |
| **Equity at the beginning of the year** | | **95,655** | **88,685** |
| Comprehensive income | | 1,704 | 12,106 |
| Transactions with owners | | | |
| - Dividend paid | | (1,600) | (5,136) |
| **Closing equity** | | **95,759** | **95,655** |

This statement is to be read in conjunction with the notes on pages 39 to 52

## BALANCE SHEET

As at 30 June

| | Notes | 2026 $000 | 2025 $000 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | 6 | 8,800 | 8,800 |
| Hedge reserve | 7a | - | (51) |
| Revaluation reserve | 7b | 60,240 | 62,503 |
| Retained earnings | 8 | 26,719 | 24,403 |
| | | **95,759** | **95,655** |
| **Current liabilities** | | | |
| Trade & other payables | 9 | 5,383 | 4,723 |
| Other liabilities | | 28 | 33 |
| Tax payable/(receivable) | 5a | (118) | 783 |
| Employee entitlements | | 783 | 632 |
| Hedge derivatives | 15a | - | 71 |
| | | 6,076 | 6,242 |
| **Non-current liabilities** | | | |
| Term loans | 11 | 30,200 | 17,750 |
| Deferred taxation | 5b | 23,243 | 23,251 |
| | | 53,443 | 41,001 |
| **Total equity & liabilities** | | **155,278** | **142,898** |
| Represented by: | | | |
| **Current assets** | | | |
| Trade & other receivables | 12 | 2,104 | 2,147 |
| Prepayments | | 1 | 5 |
| Cash & cash equivalents | 10 | 281 | 1,534 |
| Stock on hand | 14 | 166 | 128 |
| Contract assets | 13 | - | 158 |
| | | 2,552 | 3,972 |
| **Non-current assets** | | | |
| Property, plant & equipment | 3 | 151,462 | 137,314 |
| Contract assets | 13 | - | 315 |
| Investments | 16 | 1,040 | 1,137 |
| Deferred taxation | 5b | 224 | 160 |
| Hedge derivatives | 15a | - | - |
| | | 152,726 | 138,926 |
| **Total assets** | | **155,278** | **142,898** |

Authorised for and on behalf of the directors.

C Hopkins
Chairperson
24 September 2026

C Taylor
Director
24 September 2026

This statement is to be read in conjunction with the notes on pages 39 to 52

## STATEMENT OF CASHFLOWS

For the year-ended 30 June

| | Notes | 2026 | 2025 |
|---|---|---|---|
| | | $000 | $000 |
| **Cash flow from operating activities** | | | |
| Cash was provided from: | | | |
| Receipts from customers | | 26,883 | 23,540 |
| Interest received | | 56 | 94 |
| Dividend received | | 175 | 145 |
| Cash was applied to: | | | |
| Payments to suppliers | | 8,528 | 8,288 |
| Payments to employees | | 4,471 | 4,292 |
| Interest paid | | 950 | 589 |
| Taxation paid | | 1,668 | 2,447 |
| **Net cash flows from operating activities** | | **11,497** | **8,163** |
| **Cash flows from investing activities** | | | |
| Cash was provided from: | | | |
| Sale of property, plant and equipment | | 215 | - |
| Cash was applied to: | | | |
| Purchase of property, plant and equipment | | 23,815 | 12,533 |
| **Net cash flows from investing activities** | | **(23,600)** | **(12,533)** |
| **Cash flows from financing activities** | | | |
| Cash was provided from: | | | |
| Loan drawdown | | 14,450 | 9,000 |
| Cash was applied to: | | | |
| Loan repayment | | 2,000 | 1,750 |
| Dividends paid | | 1,600 | 5,135 |
| **Net cash flows from financing activities** | | **10,850** | **2,115** |
| Net increase/(decrease) in cash held | | (1,253) | (2,255) |
| **Plus opening cash brought forward** | | **1,534** | **3,789** |
| **Cash & cash equivalents held 30 June** | 10 | **281** | **1,534** |

This statement is to be read in conjunction with the notes on pages 39 to 52

# NOTES TO FINANCIAL STATEMENTS

**For the year-ended 30 June 2026**

## 1. REPORTING ENTITY

The financial statements presented here are for the reporting entity Dunedin International Airport Limited (the Company).

The Company was established under the Airport Authorities Act 1966 and incorporated in New Zealand under the Companies Act 1993. The Company is a Council Controlled Trading Organisation as defined in the Local Government Act 2002. The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates. The financial statements are rounded to the nearest thousand ($'000).

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for trade receivables and trade payables which are recognised inclusive of GST.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**

Under the Accounting Standards Framework, the Company is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. Therefore, these financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with NZ IFRS RDR.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and certain items of property, plant and equipment.

The accounting policies are set out in the individual notes below and have been applied consistently to all periods in these financial statements.

**New Standards, Interpretations and Amendments Adopted by the Company**

Dunedin International Airport Limited has not applied any new standards and amendments for the first time in the financial statements for the period commencing 1 July 2025.

## 3. PROPERTY, PLANT & EQUIPMENT

Property, Plant and Equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

Land, buildings, runway, apron, and taxiways are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase is recognised in other comprehensive income and accumulated in the Revaluation Reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.
Plant and equipment, office equipment and motor vehicles are stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Self-constructed assets include the direct cost of construction including borrowing costs to the extent that they relate to bringing the Property, Plant and Equipment to the location and condition for their intended service.

Depreciation is charged so as to write off the cost of assets, other than land and capital work in progress. Rates used have been calculated to allocate the asset's cost less estimated residual value over their estimated remaining useful lives. Depreciation of capital work in progress commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation rates and methods used are as follows:

| | Rate | Method |
|---|---|---|
| **Land and land improvements** | 0% - 12.5% | DV & SL |
| **Runway, apron and taxiway** | 0% - 13.9% | DV & SL |
| **Buildings** | 1% - 40% | DV & SL |
| **Plant & Equipment** | 2% - 67% | DV & SL |
| **Motor Vehicles** | 7% - 25% | DV & SL |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognised.

**(a)** Land, airside pavements, roading, and dairy farm plant and equipment were revalued at 30 June 2024 by independent registered valuers, CBRE Limited and WSP New Zealand Limited.

The total fair value of these assets at 30 June 2024, the effective date of the revaluation, was **$52,257,300**. Land was valued by reference to market sales, market comparison and investment valuation. The specialised assets being runway, taxiways, aprons and infrastructure assets were valued using the Optimised Depreciated Replacement Cost (O.D.R.C.) methodology.

**(b)** Buildings were revalued at 31 May 2025 by independent registered valuers, CBRE Limited and WSP New Zealand Limited.

The total fair value of these assets at 31 May 2025, the effective date of the revaluation, was **$66,238,051**. Buildings were valued by using the Optimised Depreciated Replacement Cost (O.D.R.C.) methodology.

**Loss on Overlay of Runway**

During the year, the Company completed an overlay of the centre section of the runway. The works involved the removal and replacement of existing pavement layers. At the time of the previous runway revaluation, depreciation had been accelerated for the base course then expected to be replaced. During construction, an additional underlying base course was also removed. As this had not been anticipated at the time of the revaluation, its remaining useful life had not been shortened and a carrying value remained at the date of disposal. The remaining carrying value was derecognised, resulting in the loss on overlay recognised during the year.

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| (a) 2026 | Land and Land Improvements | Land and Improvements Subject to Lease | Runway, Apron, Taxiway | Buildings | Buildings Subject to Lease | Plant & Equipment | Dairy Farm Plant and Equipment | Office Equipment | Motor Vehicles | WIP | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| Balance at beginning of period | 21,648 | 1,066 | 29,168 | 49,907 | 16,707 | 11,997 | 626 | 972 | 3,416 | 10,583 | 146,090 |
| Purchases | 2,623 | - | - | 970 | - | 582 | 87 | 42 | - | 18,295 | 22,599 |
| Transfers | - | - | 14,159 | 2,527 | 2,906 | 5,251 | - | 11 | 182 | (25,036) | - |
| Revaluations | - | - | - | - | - | - | - | - | - | - | - |
| Reclassifications | - | - | - | 768 | (765) | (4) | - | - | - | - | (1) |
| Disposals | - | - | (2,069) | (2) | - | (484) | (3) | (200) | (120) | (385) | (3,263) |
| Balance at end of period | 24,271 | 1,066 | 41,258 | 54,170 | 18,848 | 17,342 | 710 | 825 | 3,478 | 3,457 | 165,425 |
| **Accumulated Depreciation** | | | | | | | | | | | |
| Balance at beginning of period | 146 | - | 1,333 | 196 | 56 | 5,690 | 60 | 530 | 765 | - | 8,776 |
| Depreciation | 140 | - | 1,609 | 1,815 | 601 | 1,647 | 65 | 156 | 269 | - | 6,302 |
| Revaluations | - | - | - | - | - | - | | | | - | - |
| Reclassifications | - | - | - | (1) | (1) | (2) | - | - | - | - | (4) |
| Disposals | - | - | (364) | - | - | (456) | - | (200) | (91) | - | (1,111) |
| | 286 | - | 2,578 | 2,010 | 656 | 6,879 | 125 | 486 | 943 | - | 13,963 |
| **Balance at end of period** | 23,985 | 1,066 | 38,680 | 52,160 | 18,192 | 10,463 | 585 | 339 | 2,535 | 3,457 | 151,462 |

| (b) 2025 | Land and Land Improvements | Land and Improvements Subject to Lease | Runway, Apron, Taxiway | Buildings | Buildings Subject to Lease | Plant & Equipment | Dairy Farm Plant and Equipment | Office Equipment | Motor Vehicles | WIP | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| Balance at beginning of period | 21,583 | 1,066 | 29,004 | 45,608 | 15,488 | 8,623 | 621 | 663 | 3,153 | 1,159 | 126,968 |
| Purchases | 66 | - | 214 | 319 | - | 591 | 4 | 273 | 167 | 13,324 | 14,958 |
| Transfers | - | - | 17 | 646 | 99 | 2,789 | - | 65 | 96 | (3,712) | - |
| Revaluations | - | - | - | 3,497 | 1,180 | - | - | - | - | - | 4,677 |
| Reclassifications | (1) | - | (1) | 6 | (7) | (3) | 3 | - | - | - | (3) |
| Disposals | - | - | (66) | (169) | (53) | (3) | (2) | (29) | - | (188) | (510) |
| Balance at end of period | 21,648 | 1,066 | 29,168 | 49,907 | 16,707 | 11,997 | 626 | 972 | 3,416 | 10,583 | 146,090 |
| **Accumulated Depreciation** | | | | | | | | | | | |
| Balance at beginning of period | 13 | - | 6 | 2,992 | 1,169 | 4,764 | - | 432 | 515 | - | 9,891 |
| Depreciation | 134 | - | 1,330 | 1,502 | 535 | 932 | 60 | 125 | 250 | - | 4,868 |
| Revaluations | - | - | - | (4,303) | (1,612) | - | - | - | - | - | (5,915) |
| Reclassifications | (1) | - | - | 30 | (28) | (6) | - | 1 | - | - | (4) |
| Disposals | - | - | (3) | (25) | (8) | - | - | (28) | - | - | (64) |
| | 146 | - | 1,333 | 196 | 56 | 5,690 | 60 | 530 | 765 | - | 8,776 |
| **Balance at end of period** | 21,502 | 1,066 | 27,835 | 49,711 | 16,651 | 6,307 | 566 | 442 | 2,651 | 10,583 | 137,314 |

## 4. OPERATING REVENUE

The Company recognises revenue from the following major sources:

- Airport Services
- Fuel and Non-Fuel Sales
- Milk Sales
- Operating Lease Rental Revenue

**Airport Services**

Airport services revenue consists of the following components:

1) Landing Charges and Departure Fees:
Landing charges are charged on a per passenger or airplane weight basis for landing and disembarking the airport. The charges cover runway costs, airport services and other miscellaneous services that the Company is required to provide while a plane is on the ground under civil aviation rules. Revenue is recognised net of any rebates paid to airlines under incentive agreements. The revenue earned is recognised over-time due to the counterparty simultaneously receiving the benefit as the Company provides the services.

Revenue is recognised on a constrained basis where there is uncertainty over whether all performance obligations will be met. As at balance date, if it is not considered highly probable that the full contractual revenue will be retained, revenue will be recognised only to the extent that reversal is not considered probable.

2) Car Parking:
Revenue from car parking is earned by charging customers a fee for the use of the airport carpark. The fee is based on a tiered system where the charge per day varies depending on the length of stay. The revenue earned meets the criteria to be recognised over-time as the customer simultaneously receives the benefit of using the carpark as the service is provided.

**Fuel and Non-Fuel Sales:**

Revenue from fuel and non-fuel sales is earned through petrol & other miscellaneous sales (net of any discounts) from the petrol station owned by the Company. Revenue is recognised at the point in time control transfers to the customer, being when the customer pays for the fuel purchased.

**Milk Sales:**

The Company owns two dairy farms that sell milk to Fonterra. Revenue is based on the farm gate milk price at the time of sale applied to the quantity of milk supplied. Revenue is recognised at the point in time at which control of the product passes to Fonterra, being when the milk is loaded into the tanker.

**Operating Lease Rental:**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **Revenue from Contracts with Customers:** | | |
| Over Time: | | |
| Airport Services Revenue | 17,306 | 17,173 |
| Point in time: | | |
| Fuel and Non-Fuel Sales | 998 | 918 |
| Milk Sales | 1,492 | 1,461 |
| **Total Revenue from Contracts with Customers** | **19,796** | **19,552** |
| Other Income: | | |
| Operating Lease Rental (including overhead recoveries) | 4,325 | 4,086 |
| Other Revenue | 583 | 54 |
| **Total Operating Revenue** | **24,704** | **23,692** |

## 5. TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

### a) Income tax

| | | |
|---|---|---|
| Operating surplus/(deficit) before income tax | 2,330 | 6,172 |
| Taxation @ 28% | 652 | 1,728 |
| *Plus / (Less) the tax effect of differences* | | |
| Non-deductible expenses | 161 | 6 |
| Non-assessable income | (164) | - |
| Gain/(loss) on investments | (27) | (116) |
| Disestablishment of Tax Depreciation on Buildings | - | 18 |
| Imputation credits | (68) | - |
| Unwind of unrecognised timing differences on buildings | 47 | - |
| Prior period adjustment | 22 | (66) |
| Income tax expense/(credit) | **677** | **1,570** |
| Effective tax rate | 29.0% | 25.4% |
| Represented by | | |
| Current tax provision | 767 | 2,349 |
| Deferred tax provision | (90) | (779) |
| Income tax expense/(credit) | **677** | **1,570** |

### b) Provision for Tax

| | | |
|---|---|---|
| Balance at beginning of year | (783) | (882) |
| Current tax provision | (832) | (2,437) |
| Imputation credits | 68 | - |
| Provisional tax paid | 1,668 | 2,447 |
| Prior period adjustment | (3) | 89 |
| Balance at 30 June | **118** | **(783)** |

### c) Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary

differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

| | Opening | Charged | Charged | Prior Period | | | Closing Balance Sheet |
|---|---|---|---|---|---|---|---|
| **2026 ($000)** | Balance | to Equity | to Income | Adjustment | Assets | Liabilities | Net |
| Property, plant and equipment | (23,248) | - | 17 | (11) | - | (23,243) | 23,243 |
| Employee benefits | 138 | - | 20 | (10) | 150 | - | 150 |
| Provisions | - | - | 72 | 2 | 74 | - | 74 |
| Revaluations of interest rate swaps | 20 | (20) | - | - | - | - | - |
| Prepayments | (1) | - | 1 | - | - | - | - |
| **Balance at 30 June** | **(23,091)** | **(20)** | **110** | **(19)** | **224** | **(23,243)** | **23,467** |

| | Opening | Charged | Charged | Prior Period | | | Closing Balance Sheet |
|---|---|---|---|---|---|---|---|
| **2025 ($000)** | Balance | to Equity | to Income | Adjustment | Assets | Liabilities | Net |
| Property, plant and equipment | (21,033) | (2,987) | 779 | (9) | - | (23,249) | (23,249) |
| Employee benefits | 93 | - | 60 | (13) | 140 | - | 140 |
| Provisions | 42 | - | (41) | (1) | - | - | - |
| Revaluations of interest rate swaps | (34) | 54 | - | - | 20 | - | 20 |
| Prepayments | (5) | - | 3 | - | - | (2) | (2) |
| **Balance at 30 June** | **(20,937)** | **(2,933)** | **801** | **(23)** | **160** | **(23,251)** | **(23,091)** |

## 6. EQUITY – SHARE CAPITAL

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Issued Capital*
8,800,000 (2025: 8,800,000) ordinary authorised and issued shares.

All shares have equal voting rights and share equally in dividends and any surplus on winding up. There are no par values for these shares.

| | **2026** | 2025 |
|---|---|---|
| | $000 | $000 |
| **7. RESERVES** | | |
| **a) Hedge Reserve** | | |
| Balance at beginning of year | (51) | 88 |
| Cash flow hedges (loss)/gain | 71 | (193) |
| Net movement in deferred tax arising on hedges | (20) | 54 |
| Balance at 30 June | **-** | **(51)** |

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments that have not yet occurred.

| | 2026 $000 | 2025 $000 |
|---|---|---|
| **b) Revaluation Reserve** | | |
| Balance at beginning of year | 62,503 | 55,046 |
| Revaluations included in comprehensive income | - | 10,630 |
| Net movement in deferred tax arising on revaluations | - | (2,987) |
| Transfer to Retained Earnings on disposal of property, plant and equipment | (2,263) | (186) |
| Balance at 30 June | **60,240** | **62,503** |

The revaluation reserve arises on the revaluation of land, buildings, airside pavements and certain plant and equipment. Where revalued assets are sold or disposed of, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

## 8. RETAINED EARNINGS

| | | |
|---|---|---|
| Balance at beginning of year | 24,403 | 24,751 |
| Operating (deficit)/surplus after income tax | 1,653 | 4,602 |
| Dividends paid | (1,600) | (5,136) |
| Transfer from Revaluation Reserve on disposal of property, plant and equipment | 2,263 | 186 |
| Balance at 30 June | **26,719** | **24,403** |

## 9. TRADE & OTHER PAYABLES

Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade payables are unsecured and are usually paid within 30 days of recognition.

| | | |
|---|---|---|
| Trade payables | 2,534 | 3,759 |
| Accruals | 2,859 | 964 |
| Balance at 30 June | **5,383** | **4,723** |

## 10. CASH

In the statement of cashflows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

| | | |
|---|---|---|
| Cash floats | 6 | 6 |
| Westpac cheque account | 275 | 1,528 |
| Balance at 30 June | **281** | **1,534** |

The carrying amount of cash assets approximates their fair value.

## 11. TERM LOANS

Term loans are initially recorded at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to profit or loss using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

| | 2026<br>$000 | 2025<br>$000 |
|---|---|---|
| Multi option credit facility | 30,200 | 17,750 |
| Balance at 30 June | **30,200** | **17,750** |
| Classified as: | | |
| Current liability | - | - |
| Non-current liability | 30,200 | 17,750 |
| Balance at 30 June | **30,200** | **17,750** |

**(a)** Westpac has provided a multi option credit line (MOCL) facility of $68,300,000 with a maturity date of 30 November 2027.

Interest is payable on the drawn down balance at BKBM plus a 1.0% margin (to the extent the Company does not have an interest rate swap – see Note 15).

The Westpac Banking Corporation holds as security for the advances a first mortgage over the property of the Company and a negative pledge over all other assets. The Company uses interest rate swaps to manage its exposure to interest rate movements. These are detailed in Note 15.

**(b)** Financial banking covenant relating to the facility is:

Earnings Ratio:
Earnings (net profit before funding costs, income tax, depreciation, extraordinaries for the relevant financial year but after any payments and other benefits to directors and Shareholders) > 1.75 times funding costs.

**Reconciliation to Cashflows from Financing Activities**

| | | |
|---|---|---|
| Opening Balance | 17,750 | 10,500 |
| Net loans drawdown/(repayment) | 12,450 | 7,250 |
| Movement in fair value | - | - |
| Closing Balance | **30,200** | **17,750** |

## 12. TRADE & OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses. The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default.

The expected credit losses on trade and other receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Payment terms are typically the 20th day of the month following invoice date.

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Trade Receivables | 2,024 | 1,733 |
| Provision for Expected Credit Losses | (260) | - |
| GST Receivable | 340 | 414 |
| Balance at 30 June | **2,104** | **2,147** |

As at balance date, an assessment was undertaken on trade debtors to assess customers' ability to meet repayments including a high-level assessment on the ability to trade in the future. As a result of this assessment, the Company increased the provision for expected credit losses to **$260,000** (2025: $Nil).

## 13. CONTRACT ASSETS

Costs incurred to fulfil a customer contract are recognised as an asset when they relate directly to a specific contract, generate resources expected to be used to satisfy performance obligations in the future, and are expected to be recovered. Such costs are amortised on a systematic basis consistent with the pattern of transfer of goods or services to the customer and are assessed annually for impairment.

The Company has recognised a contract asset representing establishment costs recharged by the NZ Ministry for Primary Industries and NZ Customs in connection with the recommencement of international flight services.

These costs have been capitalised in accordance with NZ IFRS 15 as costs to fulfil a contract and are being amortised over the estimated minimum 3-year contract term.

| | | |
|---|---|---|
| Opening Balance | 473 | - |
| International services re-establishment costs | (196) | 473 |
| Amortisation | (92) | - |
| Impairment | (185) | - |
| Closing Balance | **-** | **473** |
| Classified as: | | |
| Current asset | - | 158 |
| Non-current asset | - | 315 |
| Balance at 30 June | **-** | **473** |

During the year, the Company impaired the remaining carrying value of the international services re-establishment contract asset. The impairment reflects management's assessment that the remaining expected recoverable amount of the asset no longer supports its carrying value.

## 14. STOCK ON HAND

Stock on hand represents:

- Petrol stock for the Momona Garage - valued at the lower of cost (using the FIFO method) and net realisable value.
- Replacement parts stock for airfield ground lighting assets - valued at the lower of cost (using the FIFO method) and net realisable value.
- Diesel stock for use in airport infrastructure and vechicles - valued at the lower of cost (using the FIFO method) and net realisable value.

Any write-down from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Opening Balance | 128 | 26 |
| Purchases | 970 | 962 |
| Cost of Sales (Included within Other Operating Expenditure) | (932) | (860) |
| Closing Balance | **166** | **128** |

## 15. FINANCIAL RISK MANAGEMENT

### a) Interest Rate Risk

The Company's activities expose it primarily to the financial risks of changes in interest rates resulting in variation of cash flows on floating rate debt. The Company uses interest rate swaps to manage its exposure to interest rate movements on its multi option facility borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. These interest rate swap contracts have been designated as cash flow hedges.

The use of financial derivatives of the Company is governed by the interest rate hedge accounting policy approved by the Board of Directors. The policies provide written principles on the use of financial derivatives.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition derivative financial instruments are remeasured to fair value. Fair value is derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the Income Statement. For a cash flow hedge amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Income Statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Income Statement for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in profit or loss.

| | | |
|---|---|---|
| Interest rate swaps | | |
| - maturing less than 1 year | - | (71) |
| - maturing 1 to 5 years | - | - |
| Balance at 30 June | **-** | **(71)** |

**b) Categories of Financial Assets and Financial Liabilities**

| | 2026 $000 | 2025 $000 |
|---|---|---|
| Financial Assets at amortised cost: | | |
| Trade & other receivables | 2,104 | 2,147 |
| Cash & Cash Equivalents | 281 | 1,534 |
| Financial Assets at fair value through profit or loss: | | |
| Investments | 1,040 | 1,137 |
| Financial Assets at fair value through other comprehensive income: | | |
| Derivative Financial Instruments in Hedge Accounting Relationships | - | (71) |
| Financial Liabilities at Amortised Cost: | | |
| Term Loans | 30,200 | 17,750 |
| Trade & Other payables (excluding GST) | 5,383 | 4,723 |

Management consider all financial assets and financial liabilities carrying values to closely approximate fair value.

## 16. INVESTMENTS

Investments in equity securities are recognised as financial assets at fair value through profit or loss. Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Any resultant gains or losses are recognised in profit or loss.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

*Non-current investments*

| | | |
|---|---|---|
| Shares at market value in farmer cooperative companies involved with dairy farm companies | **1,040** | **1,137** |

Of this sum **$1,002,000** (2025: $1,1000,000) is represented by shares in Fonterra Co-operative Group. These shares are required to be held by the Company based on production and can only be realised when production reduces, or the Company ceases dairying operations.

## 17. CONTINGENT LIABILITIES

There were no contingent liabilities outstanding at 30 June 2026 (2025: $Nil).

## 18. CAPITAL COMMITMENTS

At balance date, the Company had entered into contracts for capital expenditure totalling $507,000 (2025: $3,697,000) which have not been recognised as liabilities in the financial statements.

These commitments relate primarily to the following major projects:

| Project Description | Committed Amount ($000) | Spend to 30 June 2026 ($000) | Remaining Commitment ($000) |
|---|---|---|---|
| Runway Lighting Upgrade | $387 | - | $387 |
| Constant Current Regulator Replacement | $53 | - | $53 |
| Precision Approach Path Indicator Installation | $129 | ($117) | $12 |
| Stormwater Station Switchboard Upgrade | $29 | - | $29 |
| Rooftop Solar Installation | $56 | ($28) | $28 |
| **Total Commitments** | **$654** | **($145)** | **$509** |

These commitments will be funded through a combination of operating cash flows and existing financing facilities.

Spend to date on the projects identified is included in the Work in Progress component of Property, Plant and Equipment

## 19. RELATED PARTY TRANSACTIONS

The shareholders of the Company are The Crown and Dunedin City Holdings Limited, which is wholly owned by the Dunedin City Council. Each owns 50%.

**(a)** The Company undertakes many transactions with State Owned Enterprises, Government Departments and Dunedin City Council Controlled enterprises.

Businesses which have common ownership, and which provided services/supplies to the Company during the year were:

- Dunedin Venues Management Limited (Dunedin City Holdings Limited controlled) – corporate membership
- Delta Utilities Limited (Dunedin City Holdings Limited controlled) – ground maintenance and tree felling.

Transactions with entities with common ownership with details of purchases for the year and balances owing at 30 June being as follows:

| | Annual Purchases (GST Exclusive) | | Payable at 30 June (GST Inclusive) | |
|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 |
| | $000 | $000 | $000 | $000 |
| Dunedin Venues Management Limited | 15 | 16 | 2 | 1 |
| Delta Utilities Limited | 58 | 47 | 6 | 4 |

**(b)** Transactions with businesses in which directors, including directors whose appointment ceased during the financial year, and key management personnel have a substantial interest, were as follows:

- During the year, the University of Otago, in which C Hopkins has an interest, provided Artificial Intelligence training to Dunedin Airport CEO Dan De Bono. Purchases from the University of Otago during the year were **$5,000** (2025: Nil), excluding GST, with **$Nil payable at 30 June 2026** (2025: Nil).

- During the year, Chalmers Properties Limited, in which C Hopkins has an interest, purchased a long-term parking card from Dunedin Airport. Sales to Chalmers Properties Limited during the year were **$1,300** (2025: $1,300), excluding GST, with **$Nil receivable at 30 June 2026** (2025: Nil).

**(c)** Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was:

| | **2026** | 2025 |
|---|---|---|
| | $000 | $000 |
| Total | 1,326 | 1,173 |

The remuneration of directors is agreed annually, after consultation with the shareholders, and approved at the Company's annual meeting. The remuneration of the Chief Executive is determined by the Board and the remuneration of key management personnel is determined by the Chief Executive having regard to the performance of individuals and market trends.

Remuneration includes any retention payments, termination benefits and ex-gratia payments.

(d) Transactions with shareholders with details of purchases for the year and balances owing at 30 June being as follows:

| | Annual Purchases (GST Exclusive) | | Owing at 30 June (GST Inclusive) | |
|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 |
| | $000 | $000 | $000 | $000 |
| Dunedin City Council rates & services | 404 | 373 | 7 | - |

## 20. LEASE COMMITMENTS

The Company enters into lease agreements as a lessor with respect to some of its land and buildings. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

**The Company as Lessor**

The Company has various operating leases with tenants at the airport. Minimum lease receivables under non-cancellable operating leases are as follows:

| | **2026** | 2025 |
|---|---|---|
| | $000 | $000 |
| Under 1 year | 2,373 | 2,496 |
| 1 to 2 years | 1,382 | 1,437 |
| 2 to 3 years | 1,067 | 767 |
| 3 to 4 years | 830 | 553 |
| 4 to 5 years | 333 | 438 |
| Over 5 years | 393 | 537 |

**The Company as Lessee**

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

## 21. AUDIT FEES

| | | |
|---|---|---|
| Audit or review of financial statements | 162 | 157 |
| Recovery of cost overrun on prior year audit | 33 | - |
| Assurance engagement - Disclosure financial statements | - | 38 |
| **Total Audit Fees** | **195** | **195** |

## 22. CRITICAL JUDGEMENTS AND ESTIMATES

In applying the Company's accounting policies, management makes judgements and estimates that affect the amounts recognised in the financial statements. The judgements and estimates considered to have the most significant effect on the financial statements are set out below.

**International Services Re-Establishment Costs**

The Company applied judgement in determining that costs recharged by the New Zealand Ministry for Primary Industries and New Zealand Customs in connection with the re-establishment of international passenger processing facilities met the criteria for recognition as an asset arising from costs to fulfil a contract under NZ IFRS 15. These costs were initially amortised over the estimated minimum three-year period of service delivery.

During the year, management reassessed the recoverability of the remaining carrying amount and concluded that it was no longer recoverable. Accordingly, the Company recognised amortisation of $92,000 and an impairment loss of $185,000, reducing the carrying amount to $Nil at 30 June 2026. The impairment assessment involved judgement in assessing the expected recoverability of the remaining contract fulfilment costs. Refer to Note 13.

**Expected Credit Losses on Trade Receivables**
The Company applies the simplified approach under NZ IFRS 9 in measuring lifetime expected credit losses on trade receivables. The expected credit loss allowance is estimated using a provision matrix which considers historical default experience, customers' current financial circumstances and reasonable and supportable information regarding current and forecast economic conditions.

These assessments require management judgement, particularly in estimating customers' ability to meet amounts due and the level of recoveries expected. At 30 June 2026, the provision for expected credit losses was $260,000 (2025: $Nil). Changes in these assumptions or in customers' circumstances may result in adjustments to the provision in future periods. Refer to Note 12.

**Property, Plant and Equipment – Assessment of Carrying Values**
Land, buildings, runway, apron and taxiways are carried at fair value. Management applies judgement in determining whether the carrying amounts of these assets differ materially from their fair values at the reporting date and, consequently, whether a further independent revaluation is required.

At 30 June 2026, management considered the movements in relevant market and cost indicators since the most recent independent valuations, together with changes in the condition, use and composition of the asset base. Based on this assessment, management concluded that there was no indication that the carrying amounts of these assets differed materially from their fair values and therefore no revaluation was required at 30 June 2026.
Land, airside pavements, roading and certain plant and equipment were last independently revalued at 30 June 2024, and buildings were last independently revalued at 31 May 2025. Refer to Note 3.

## 23. SUBSEQUENT EVENTS

There were no significant events subsequent to balance sheet date.

# SHAREHOLDER INFORMATION

## INTERESTS REGISTER

The following are particulars of general disclosures of interest given by the Company directors pursuant to section 211 of the Companies Act 1993.

**CHRIS HOPKINS**

| | |
|---|---|
| Blestoe Securities Limited | Director |
| Chalmers Properties Limited | Director |
| Company HQ Limited | Director/Shareholder |
| CompanyHQ NZ Limited | Director |
| Farmers2Founders Limited | Director |
| Farra Engineering Limited | Director |
| Fiordland Pilot Services Limited | Director |
| G W Batts Trustee Limited | Director |
| Health Central Limited | Director |
| inMR Measure Limited | Director/Shareholder |
| NIMEO Industrial Limited | Director/Shareholder |
| Oakwood Group Limited | Director |
| Our Planit Limited | Director/Shareholder |
| Port Chalmers Container Terminal Limited | Director |
| Port Otago Limited | Director |
| Silveracres Trust | Independent Trustee |
| SouthMed Limited | Director/Shareholder |
| Spade Word Limited | Director/Shareholder |
| Te Rapa Gateway Limited | Director |
| University of Otago | Council Member |
| Venture Places Limited | Director/Shareholder |
| Veritide Limited | Director/Shareholder |

**TIMOTHY HUNTER**

| | |
|---|---|
| Heritage Expectations | Advisory Board Member |
| Southern Discoveries Limited | Project Manager |

**CATHERINE TAYLOR**

| | |
|---|---|
| Diabetes New Zealand Research Foundation | Trustee |
| Nelson Airport Noise Environment Advisory Committee | Independent Chair |
| Nelson City Council – Audit, Risk and Finance | Independent Chair |
| Committee Nelson Marine Precinct Limited | Chair |
| New Zealand Law Foundation | Trustee |
| Port Noise Liaison Committee (Port Nelson) | Independent Chair |
| R & C Taylor Trustee Company Limited | Director |
| The Cranfylde Charitable Trust | Trustee |
| The RN & CJ Taylor Family Trust | Trustee |
| New Zealand Transport Agency - Waka Kotahi | Member |

**KATIE BHREATNACH**

| | |
|---|---|
| Bhreatnach Whanau Trust | Trustee |
| College of Law NZ Limited | Director |
| Ihu Pumanawa Limited | Director |
| New Zealand Global Women Limited | CEO |
| St Mary's College Ponsonby | Chair |
| Te Wānanga o Aotearoa | Director |
| Two Bananas Trust | Trustee |
| Waitakere and Arena Stadium | Chair |

**Directors' Interests in Contracts**

Details of contracts involving directors' interests entered into during the year ended 30 June 2026 are provided in Note 19 to the Financial Statements. All transactions were conducted on an arms' length commercial basis.

**Directors' Insurance**
In accordance with section 162 of the Companies Act 1993 and the Constitution, Dunedin International Airport Limited has arranged policies of Directors' Liability Insurance which, together with a deed of indemnity, ensure that the directors incur no monetary loss as a result of actions undertaken by them as directors, provided that they operate within the law.

**Principal Activities of the Company**
The Company's principal activity is the operation of Dunedin International Airport. Areas of land adjacent to the airport held for possible expansion purposes are dairy farmed in partnership with a sharemilker. The Company also owns a small residential housing estate on land adjoining the airfield to the north and Momona Garage.

**State of Affairs**
The directors note that the financial position of the Company remains sound and the state of the Company's affairs is satisfactory.

**Remuneration of the Directors**
The directors of Dunedin International Airport Limited and their remuneration for the year ended 30 June 2026 are as follows:

| Director | Board Meetings Attended (out of a possible) | Committee | Remuneration ($000's) |
|---|---|---|---|
| Chris Hopkins – Chairperson | 12 of 13 | SORC | 66 |
| Catherine Taylor – Deputy Chairperson | 11 of 13 | SORC | 41 |
| Timothy Hunter (SORC Chairperson) | 13 of 13 | SORC | 33 |
| Katie Breathnach | 12 of 13 | SORC | 33 |

SORC – Safety Operations Risk Committee

**Directors' Benefits**
No director of Dunedin International Airport Limited has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the directors shown in the financial statements. There were no notices from directors of the Company requesting to use Company information received in their capacity as directors which would not otherwise have been available to them.

**Executive Remuneration**
Executive remuneration is made up of three components:
1) Fixed remuneration consisting of base salary and benefits.
2) Short-term performance incentives – Chief Executive only.
3) Long term incentives – Chief Executive Only

**Definitions**
Actual salary paid includes holiday pay paid in accordance with New Zealand legislation.

Benefits include taxable allowances, travel allowances, the Company's employer contribution to KiwiSaver, and other minor benefits provided from time to time.

Any one-off or exceptional payments (including retention payments, termination benefits or ex-gratia payments) are disclosed separately where they occur.

**Short-term performance incentives – Chief Executive only**
The STI provides an annual opportunity of up to 10% of base salary.

The STI is assessed through the Chief Executive annual performance review process completed by the Board of Directors. Performance measures reflect a balanced set of criteria, including a mix of financial performance, operational outcomes, delivery of strategic priorities, and people/leadership measures.

The value of the STI is proportionate to the number of performance measures achieved during the financial year. The following table records the performance measures, and associated achievements for the year ended 30 June 2026. Specific performance targets are not disclosed where commercially sensitive.

| Performance Measure | Action Plan | Achieved / Not Achieved | Score |
|---|---|---|---|
| **SDF/Master Plan** | Finalise the SDF draft by Nov 2025. Incorporate feedback, then seek board approval by Feb 2026. Maintain momentum and alignment with long-term infrastructure strategy. | Achieved | 1 |
| **Asset Management Plan (AMP)** | Complete asset condition ratings. Drive team to finalise the AMP. Link from strategy and to 10-year outlook and budgets. | Achieved | 1 |
| **Deliver Capital Plan** | Lead delivery of the forward capital programme with discipline. Embed strong project controls, and track delivery against budget, scope, and timeline. | Achieved | 1 |
| **Develop People and Build Succession** | Lead the development of leadership and technical capability across the team. Embed succession planning for critical roles, and track progress through development plans, mentoring, and readiness to step into key positions. | Achieved | 0.75 |

For the year ended 30 June 2026 Daniel De Bono achieved 3.75 of the 4 (2025: 5.5 of the 6) performance measures (94%) (2025: 90%). Applying this percentage to the 10% maximum STI available to Daniel De Bono resulted in the Board of Directors approving an STI of 9.4% of base salary (2025: 9%).

**Long term performance incentives – Chief Executive only**
The Chief Executive participates in Dunedin Airport's Long Term Incentive Scheme, approved by the Board in February 2025 and effective from the year ended 30 June 2025.

The purpose of the scheme is to align incentives with long term strategic goals, value creation, and retention, and it is applied each year at the absolute discretion of the Board.

How the scheme works:
1. The scheme operates on a rolling three-year basis, with an annual LTI award each year and each award vesting after three years.
2. Payments are calculated by reference to performance over the prior three years, with payment accrued and paid after three years from the year of calculation.
3. For calculation purposes, base salary is set as the base salary in the first year of the relevant three-year period.

Performance measures and weighting:
1. Total LTI value is an opportunity of up to 10% of base salary.
2. 50% of the opportunity is determined by Return on Equity, measured cumulatively over the relevant three-year period (with full achievement at 8% and a stepped scale below that).
3. The remaining 50% is determined by achievement against the Chief Executive's short-term objectives as set through the annual performance review process (the same performance review process that informs the STI assessment).

Key conditions:
1. Payment is subject to a retention requirement (the Chief Executive must remain employed through the vesting period and not have resigned at the payment date).
2. The scheme also includes claw-back provisions in cases such as misconduct or financial misstatement and allows Board adjustment for one off or abnormal items impacting financial performance.

**Chief Executive remuneration outcomes**
A summary of the Chief Executive's salary and benefits is included in the table below:

| | 2026 | | | 2025 | | |
|---|---|---|---|---|---|---|
| **Employee** | **Salary** | **Benefits** | **Total** | **Salary** | **Benefits** | **Total** |
| Daniel De Bono | $302,500 | $65,165 | $367,665 | $290,000 | $62,900 | $352,900 |

For the year ended 30 June 2026 benefits comprise taxable allowance $3,000 (2025: $3,000), travel allowance $11,500 (2025: $11,500), employer KiwiSaver contribution $8,170 (2025: $9,206), STI $28,360 (2025: $26,100), and an LTI of $14,180 (2025: $13,058).

No one-off or exceptional payments were made in the year ended 30 June 2026 (2025: $Nil).

The number of employees whose remuneration and benefits are within specified bands are as follows:

| Remuneration Range | 2026 No. Employees | 2025 No. Employees |
|---|---|---|
| $100,000-$110,000 | 5 | 4 |
| $110,000-$120,000 | 3 | 3 |
| $120,000-$130,000 | 1 | 1 |
| $130,000-$140,000 | - | 1 |
| $140,000-$150,000 | 2 | - |
| $150,000-$160,000 | - | 1 |
| $160,000-$170,000 | 1 | 1 |
| $170,000-$180,000 | 2 | - |
| $180,000-$190,000 | - | 1 |
| $190,000-$200,000 | 1 | - |
| $200,000-$210,000 | - | - |
| $210,000-$220,000 | - | 1 |
| $220,000-$230,000 | - | - |
| $230,000-$240,000 | 1 | - |
| $350,000-$360,000 | - | 1 |
| $360,000-$370,000 | 1 | - |
| $370,000-$380,000 | - | - |

**Gender Diversity**

The table below summarises the gender diversity of the Company as at 30 June 2026:

| | 2026 | | 2025 | |
|---|---|---|---|---|
| **Directors** | | | | |
| Male | 2 | 50% | 2 | 50% |
| Female | 2 | 50% | 2 | 50% |
| | **4** | | **4** | |
| **Senior Management** | | | | |
| Male | 4 | 80% | 4 | 80% |
| Female | 1 | 20% | 1 | 20% |
| | **5** | | **5** | |
| **All Staff (including Senior Management)** | | | | |
| Male | 35 | 75% | 34 | 76% |
| Female | 12 | 25% | 11 | 24% |
| | **47** | | **45** | |

**Subsequent Events**

The directors are not aware of any other matters or circumstances since the end of the financial year not otherwise dealt with in this report or the Company's financial statements that has significantly or may significantly affect the operation of Dunedin International Airport Limited, the results of those operations or the state of affairs of the Company.

**Auditors**

The auditor of Dunedin International Airport limited is Jenna Hills of The Audit Office on behalf of the Auditor-General.

C Hopkins
Chairperson

24 September 2026

C Taylor
Director

24 September 2026

Fuel to Fly's new Grab & Go offering, part of the Terminal Enhancement Project

The Audit Office
Te Mana Arotake

**Independent Auditor's Report**

**To the readers of Dunedin International Airport Limited's financial statements and performance information for the year ended 30 June 2026**

The Auditor-General is the auditor of Dunedin International Airport Limited (the Company). The Auditor-General has appointed me, Jenna Hills, using the staff and resources of The Audit Office, to carry out the audit of the financial statements and performance information on his behalf.

## Opinion

We have audited:

- the financial statements of the Company that comprise the balance sheet as at 30 June 2026, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include material accounting policy information and other explanatory information on pages 35 to 52; and
- the performance information that consists of the statement of service performance for the year ended 30 June 2026 on pages 25 to 33.

In our opinion:

- the financial statements of the Company present fairly, in all material respects, its financial position as at 30 June 2026 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures adopted for the year ended 30 June 2026, and has been prepared, in all material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

## Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of the Board of Directors for the financial statements and performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime. The Board of Directors is also responsible for preparing the performance information contained in the statement of service performance of the Company in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Act.

## Responsibilities of the auditor for the audit of the financial statements and performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and performance information.

For the budget information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the Company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We evaluate the overall presentation, structure and content of the performance information, including the disclosures, and assess whether the performance information achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives in its statement of intent.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and performance information consisting of the statement of performance, and our auditor's report thereon.

Our opinion on the financial statements and performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and performance information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Company in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Company.

Jenna Hills
The Audit Office
On behalf of the Auditor-General
Dunedin, New Zealand
28 September 2026

# Dunedin Railway Station

HOME OF THE TAIERI GORGE RAILWAY

# Annual Report 2026

the Taieri Gorge
the Seasider

Dunedin Railway Station is the trading name of Dunedin Railways Limited

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# Company Directory

## ENTITY

Legal Entity: Dunedin Railways Limited

Trading Name: Dunedin Railway Station

Company Number: 670683

## DIRECTORS

Adrian Januszkiewicz (Chairman)

Tim Loan

Greg Anderson

Susan Johnstone

Chris Milne

Shane Ellison

Phillip O'Connell

## REGISTERED OFFICE

50 The Octagon

Dunedin, New Zealand

## BANKERS

Westpac Banking Corporation

## SOLICITORS

Anderson Lloyd Lawyers

## TAXATION ADVISORS

Deloitte

## AUDITOR

The Audit Office

# Chair's Report

## PRINCIPAL ACTIVITIES OF THE COMPANY

FY2026 was Dunedin Railways Limited's first full year of trading since emerging from hibernation and marked a year of significant progress. Strong performance across commercial operations, service delivery, and organisational capability demonstrates the company's successful transition from recovery to execution. The results achieved during the year provide a solid foundation for continued growth and long-term sustainability.

## YEAR IN REVIEW

Passenger numbers grew to 39,983 in FY26, up from 31,821 in FY25 which is a year-on-year increase of 26%. Revenue grew materially in line with that passenger growth, with yield per passenger also improving as service mix shifted toward higher-value cruise which DRL now controls directly and Taieri Gorge journeys. These results reflect a business that is finding its commercial feet and strengthening its market position. Comparisons with FY2025 should be considered in the context of the significant one-off impairment reversal that contributed to the FY2025 net surplus and is shown separately in the table below.

Key financial results for the year are summarised below:

| | Year Ended 30 June 2026 $'000 | Year Ended 30 June 2025 $'000 |
|---|---|---|
| Operating Revenue | 5,130 | 3,204 |
| Impairment Reversal Revenue | - | 2,297 |
| Net surplus / (deficit) for the year | (421) | 1,141 |
| Shareholders' funds | 3,275 | 2,696 |
| Total assets | 3,848 | 3,326 |

## REBRANDING

FY26 included the delivery of a significant rebranding programme. This involved not only a refresh of the visual identity and customer-facing materials, but the bold step of adopting the Dunedin Railway Station name as a core brand. That decision was not without its critics, but the Board is confident it was the right call and early market response suggests the wider tourism trade agrees. The new identity better reflects who we are and where we are headed.

## OPERATIONS

Track renewal investment continued under the DCHL-funded $2 million per annum programme. Deliberately, we did not draw the full allocation in FY26, preferring to take the time to properly plan the programme and ensure funds are well directed. That planning work is largely complete, and a more active renewal programme is anticipated in FY27. On maintenance, the team delivered meaningful catch-up work following the reduced activity of FY25, but there is more to come as the programme matures.

## SALES AND MARKETING

The Company has re-engaged with all key domestic and international tourism channels (trade, cruise, digital and direct) and is now an active and recognised participant in the market. The results speak for themselves.

## PEOPLE

The leadership team is now largely in place, and the organisation has the people and capability to execute the strategic plan. Significant effort has gone into building the right culture alongside the right team structure. The Board thanks all DRL staff for their dedication during a year of considerable change and growth.

## GOVERNANCE

The Board has maintained a constructive and transparent relationship with Dunedin City Holdings Limited and Dunedin City Council throughout the year, operating on a no-surprises basis. DRL's dividend policy remains unchanged in that no dividends are paid, with resources directed toward the asset base and track renewal programme.

## OUTLOOK

FY26 has demonstrated that Dunedin Railways is a business with solid commercial foundations and a clear direction. The FY27 plan targets continued passenger and yield growth, a more active track renewal programme, and further embedding of the systems and capability built this year. The Board looks forward to reporting further progress.

Adrian Januszkiewicz
Chair
Dunedin Railway Station

## Statement of Service Performance

| PERFORMANCE MEASURES | ACHIEVEMENT |
|---|---|
| Complete long-term strategic plan. | Achieved - Strategic plan was completed and approved during the year |
| Track maintenance plan in place. Board monitors changes to plan and approves material changes to budget. | Achieved - preliminary plan in place whilst refinement on long term renewal plan continues with board oversight |
| No unplanned delays to regular scheduled passenger operations. | Achieved |
| Lost time incidents are less than two. | Achieved - LTI was 1 in FY2026 |
| Complete strategic marketing plan. | Achieved - formed part of the Strategic Plan |
| Increase passenger numbers to 35,000 in 2025/26. | Achieved - total PAX for FY2026 was 39,983 |
| Maintain relationships with key community stakeholders. | Achieved |
| Maintain an average TripAdvisor rating of 4 stars or higher. | Achieved - Tripadvisor rating 4.4 as at 30 June 2026 |
| A draft 2026/2027 Statement of Intent will be submitted to the shareholder by 1 March 2026. | Achieved - draft submitted 27th Feb 2026 |
| Ensure that all direct employees are paid at living wage or above. | Achieved - all employees are paid living wage or above. |
| Refine and continue to implement DRL's carbon emissions and waste reduction strategies. | Achieved - continued implementation of strategy, establishing performance baselines for future improvements given increasing operations. |
| Measure and publicly report our Greenhouse Gas (GHG) emissions in our Annual Report. | Achieved – included in Annual Report |
| No such matters that were not escalated to the shareholder in a timely manner. | Achieved |
| No such matters that were not reported to the shareholders within 24 hours. | Achieved |

### FINANCIAL PERFORMANCE

| | Target $000 | Achievement $000 |
|---|---|---|
| Shareholders' Funds to Total Assets | 90% | 85% |
| Dividend/Subvention Distributions | - | - |
| EBITDA | (1,788) | (85) |
| Net Surplus / (Deficit) after Tax | (2,101) | (421) |
| Cash Flow from Operations | (1,736) | (181) |
| Capital Expenditure | 215 | 155 |
| Term Loans | - | - |
| Shareholder's Funds | 2,473 | 3,275 |

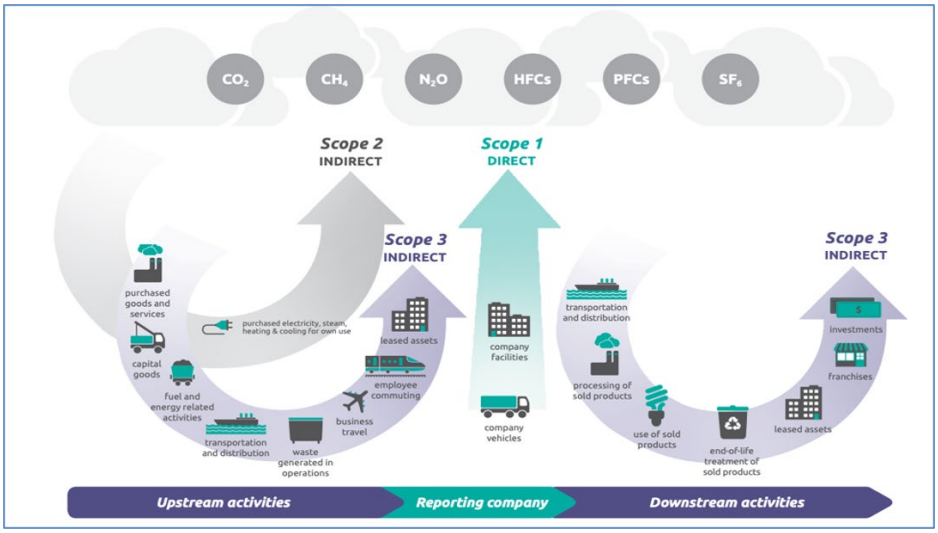
# Sustainability

## GREENHOUSE GAS EMISSIONS

Dunedin Railways is committed to understanding and managing its environmental impacts. During FY26, the Company continued to measure and report its greenhouse gas (GHG) emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard and ISO 14064. The Company first established its GHG inventory in FY21 and continues to refine its emissions measurement and reporting processes.

At this stage, Dunedin Railways has focused on measuring our Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions.

**Figure 1 Source: GHG Protocol – Figure 1.1 of Scope 3 Standard**




The Company's emission inventory includes:

**Scope 1 emissions** are direct emissions that are operationally controlled by the Company, including:

- Fuel consumption associated with train operations.
- Fuel consumption associated with maintenance vehicles and equipment.

**Scope 2 emissions** are indirect GHG emissions from imported energy, including purchased electricity that is consumed at the railway yard and the Dunedin Railway Station.

**Scope 3 emissions** to provide alignment across the Dunedin City Holdings Limited (DCHL) group, a consistent set of Scope 3 emission categories has been applied.

Our Scope 3 emissions include the following:

- Waste generated in our offices and disposed to landfill
- Transmission and distribution losses associated with purchased electricity
- Domestic Air travel

At this stage we have not captured the indirect emissions from our suppliers and contractors. We will review which Scope 3 emissions are relevant and appropriate on an ongoing basis, as we continue to measure and report our carbon footprint.

## RESULTS

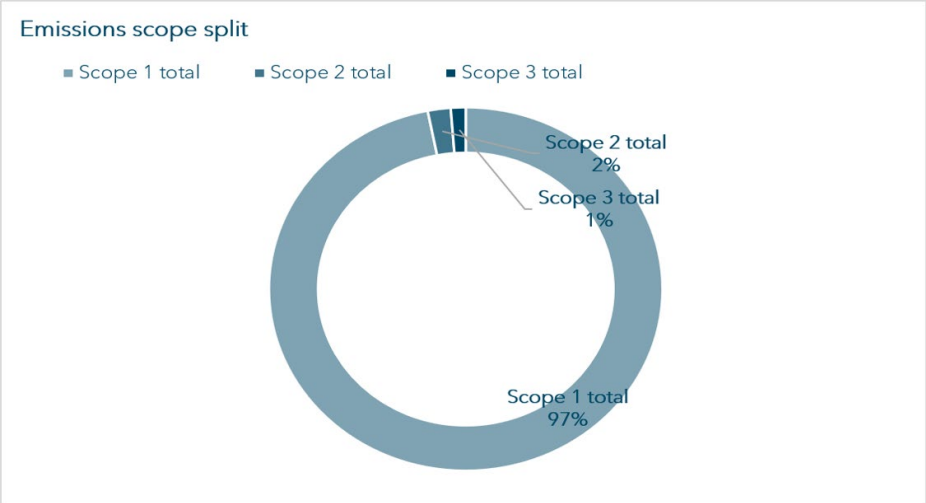
Emissions are reported as tonnes (t) of Carbon Dioxide (CO2) equivalent (e); or tCO2-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

The Company's measured GHG emissions for the year end 30 June 2026 were 484.5 $tCO_2$-e..

*Table 1 Emissions by Scope*

| | tCO2-e | % of total |
|---|---|---|
| Scope 1 | 469.5 | 97% |
| Scope 2 | 9.1 | 2% |
| Scope 3 | 5.9 | 1% |
| **TOTAL** | 484.5 | 100% |

*Figure 2 Emissions by Scope*



### Emissions by Activity

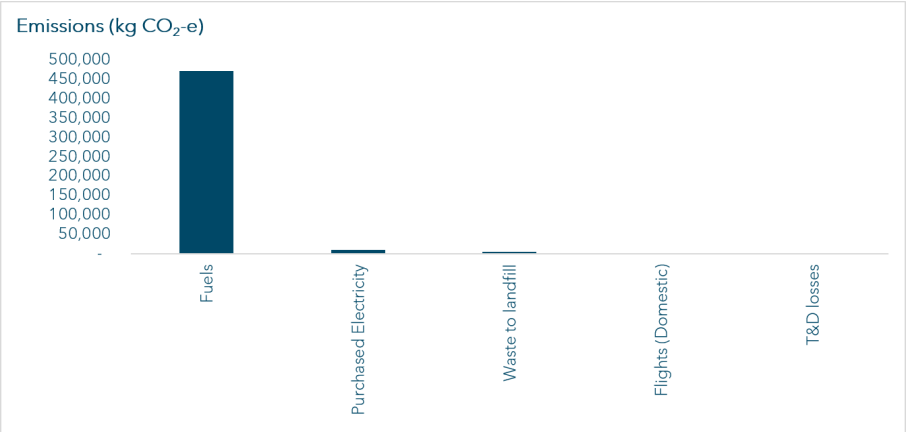
Our top emissions sources are summarised below.

*Table 2 Emissions by Activity*

| | 2026 tCO-e |
|---|---|
| Fuels | 469.5 |
| Waste to Landfill | 4.4 |
| Purchased Electricity | 9.1 |
| Domestic Flights | 0.9 |
| T&D Loss | 0.7 |
| **TOTAL** | 484.5 |

Total emissions for FY26 were 484.5 $tCO_2$-e, compared with 379.9 $tCO_2$-e in the previous year. Scope 1 emissions associated with fuel consumption remain the Company's most significant source of emissions, accounting for approximately 97% of total emissions. The increase in emissions during FY26 reflects increased operational activity as Dunedin Railways continued its recovery from the hibernation period and expanded service levels.

*Figure 3 Emissions by Activity*




## OPERATIONAL CONTEXT AND EMISSIONS INTENSITY

The Company's emissions profile is closely linked to the level of train services operated and passenger numbers carried during the year.

During FY26, Dunedin Railways operated 365 train services, compared with 273 services in FY25. Passenger numbers increased from 31,821 to 39,983, reflecting the continued recovery and growth of the business following the hibernation period.

While total emissions increased as operations expanded, emissions per train service reduced from 1.39 $tCO_2$-e in FY25 to 1.33 $tCO_2$-e in FY26, demonstrating an improvement in emissions intensity as activity levels increased.

| | 2026 | 2025 |
|---|---|---|
| Train Trips Operated | 365 | 273 |
| Passengers carried | 39,983 | 31,821 |
| Total Company emissions ($tCO_2$-e) | 484.5 | 379.9 |
| Emissions per train service ($tCO_2$-e) | 1.33 | 1.39 |
| Emissions per passenger (kg $CO_2$-e) | 12.12 | 11.94 |

## CARBON REDUCTION STRATEGY

During FY22, the Company developed an emissions reduction strategy and associated targets to guide its approach to managing greenhouse gas emissions.

The strategy established a target of achieving a 46% reduction in emissions per train trip by 2030, using FY21 as the baseline year. The use of an emissions intensity measure recognises that the Company's overall emissions profile is closely linked to operational activity levels and the number of train services operated.

Since the strategy was developed, Dunedin Railways has undergone significant operational change as it has progressively emerged from hibernation and re-established services. During FY26, the Company operated 365 train services compared with 273 services in FY25, while passenger numbers increased from 31,821 to 39,983.

As a result of increased operational activity, total emissions increased to 484.5 $tCO_2$-e (FY25: 379.9 $tCO_2$-e). However, emissions intensity improved during the year, reducing from 1.39 $tCO_2$-e per train service in FY25 to 1.33 $tCO_2$-e per train service in FY26.

Management considers FY26 to represent a more stable and representative operating profile from which future emissions performance can be measured. Accordingly, FY26 will be used as the baseline year for a review and refresh of the Company's Carbon Reduction Strategy and associated emissions reduction targets.

## FY2026 CARBON REDUCTION ACHIEVEMENTS

- Continued annual measurement and reporting of Scope 1, Scope 2 and selected Scope 3 emissions.
- Publicly reported greenhouse gas emissions through the Annual Report.
- Improved emissions intensity from 1.39 $tCO_2$-e per train service to 1.33 $tCO_2$-e per train service.
- Maintained workshop operations on mains electricity following the removal of the diesel-powered workshop generator.
- Continued monitoring fuel consumption and operational efficiency across train services.
- Continued implementation of the Company's carbon emissions and waste reduction strategies while establishing meaningful operational and emissions baselines for future improvement.

The Company remains committed to reducing emissions where practicable through improved operational efficiency and ongoing monitoring of fuel use and energy consumption. During the next 12 months, the Carbon Reduction Strategy will be reviewed and refreshed to ensure targets remain relevant, measurable and aligned with the Company's current operating environment and future growth expectations. The review will consider:

- The Company's current operating environment and expected future growth.
- The appropriateness of existing emissions reduction targets.
- Opportunities to improve emissions intensity across train operations.
- Emerging technologies and alternative fuel options.
- Alignment with shareholder sustainability objectives and wider climate initiatives.

## WASTE REDUCTION STRATEGY

| TARGET INITIATIVE | PROGRESS |
|---|---|
| Measure our waste, which will allow us to monitor and report our performance | Achieved.<br>Waste generated during FY26 totalled 4,357 kg (FY25: 4,900 kg). Passenger numbers increased from 31,824 to 39,983 during the year, resulting in waste per passenger reducing from 0.15 kg per passenger in FY25 to 0.11 kg per passenger in FY26, a reduction of approximately 29%. |

The Company will continue to monitor waste generation and waste intensity measures, while seeking opportunities to further reduce waste sent to landfill through waste minimisation and recycling initiatives.

## SUPPORTING DUNEDIN'S CLIMATE GOALS

Dunedin Railways continues to support the sustainability objectives of Dunedin City Holdings Limited and Dunedin City Council. The Company remains committed to understanding, measuring and managing its greenhouse gas emissions and contributing to the broader transition to a lower-emissions future for Dunedin.

The Company will continue to work with its shareholders and stakeholders to support wider emissions reduction objectives and identify practical opportunities to reduce its environmental footprint over time.

# Statutory Information

## DIRECTORS' INTERESTS REGISTER

As advised to the Company:

| DIRECTOR | DECLARATION OF INTERESTS |
|---|---|
| Adrian Januszkiewicz<br>1 November 2024 – present | Director and Shareholder, Adminis Ltd (including subsidiary companies: Adminis Custodial Nominees Ltd, ACNL Nominees No.1 Ltd, Adminis Investors Nominees Ltd, Adminis Funds Ltd<br>Director and Shareholder, Alpine Guides Fox Glacier Ltd (including subsidiary and JV companies: Aoraki Glacier Guiding LP Ltd, Aoraki Glacier Guiding Ltd, Mount Cook Glacier Guiding General Partner Ltd, Fox Glacier Guides Ltd, Westland Property Ltd)<br>Chair and Shareholder, Adventure Group Ltd (including subsidiary companies: Canyon Explorers Ltd, Queenstown Adventure Centre Ltd, Via Ferrata Queenstown Ltd, Via Ferrata Queenstown NZ Ltd, Canyoning Queenstown Ltd)<br>Trustee, Jadran Family Trust<br>Director and Shareholder, Jadran Consulting Ltd<br>Trustee, Caliber Trust<br>Trustee on Board, Wakatipu High School<br>Advisory Trustee, Wakatipu High School Foundation<br>Chair, Director, and Shareholder, Folio Solutions Ltd<br>Director and Shareholder, RCT Group Ltd (including subsidiary company: Rotorua Canopy Tours Ltd, Million Dollar Cruise Ltd, Queenstown Cruises Ltd)<br>Shareholder, Reikorangi Forest Ltd |
| Tim Loan<br>3 October 2022 – present | Director, Dunedin City Holdings Ltd<br>Director, Dunedin City Treasury Ltd<br>Director, Dunedin Stadium Property Ltd<br>Director & Shareholder, Abbot Insurance Brokers Southern Ltd<br>Director, Finance Now Ltd (including subsidiary companies: TW Financial Services Operations Ltd) The Warehouse Financial Services Ltd and SBS Money Ltd<br>Director & Shareholder, LWB Holdings Ltd<br>Director, Presbyterian Support Southland Holding Company Ltd<br>Director, Presbyterian Support Southland Retirement Villages Ltd<br>Chair, H&J Smith Holdings Ltd (including subsidiary companies: H&J Smith Ltd, H&J Smith Parking Building Ltd, Outdoor World Ltd, Outdoor Adventures Ltd (dormant), H&J's Hardware Ltd (dormant), Southern Department Stores Ltd (dormant), Shotover Hardware Ltd, Symphony Retailing Ltd, Cross Roads Properties Ltd, H&J.'s Electrical Ltd, H&J's Properties Ltd, H&J Smith Corporate Ltd, H&J Smith Finance Ltd) |
| Greg Anderson<br>1 July 2023 - present | Director, Dunedin City Holdings Ltd<br>Director, Dunedin City Treasury Ltd<br>Director, Dunedin Stadium Property Ltd<br>Director and Shareholder, Northington Partners Ltd (including subsidiary companies Northington Agricapital Ltd, NPL Investments Ltd and NPL No.1 Holdco Ltd)<br>Director and Shareholder, Cultivate Ventures GP Ltd (including related entity NPL No. 2 LP Ltd)<br>Director and Shareholder, NZ Drinks Holdings Ltd (including subsidiary NZ Drinks Ltd)<br>Director and Shareholder, Hedgebook Ltd<br>Director and Shareholder, Stirling Sports Ltd<br>Director and Shareholder, Reliable Foundations Holdings Ltd (including subsidiary companies and related entities: Reliable Foundations NZ Ltd, Reliable Foundations (South Island) Ltd, RFL Earthworks NZ Ltd, RFL Earthworks (South Island) Ltd, Reliable Foundations GP Ltd, NPL No.1 LP Ltd)<br>Director and Shareholder, Agri Realty Ltd<br>Director and Shareholder, Ra Tuatahi No. 1 Ltd<br>Trustee, St Margaret's College Foundation |
| Susie Johnstone<br>1 March 2021 - present | Director, Dunedin City Holdings Ltd<br>Director, Dunedin City Treasury Ltd<br>Director, Dunedin Stadium Property Ltd<br>Director & Shareholder, Shand Thomson Chartered Accountants<br>Trustee, Dunedin Diocese Trust Board<br>Trustee, Clutha Community Foundation<br>Director, SDH GP Ltd<br>Trustee of various client trusts through Shand Thomson & Abacus Nominee Companies |

| | |
|---|---|
| Chris Milne<br>1 July 2023 - present | Director, Dunedin City Holdings Ltd<br>Director, Dunedin City Treasury Ltd<br>Director, Dunedin Stadium Property Ltd<br>Director and Shareholder, Murray & Company Ltd (including an advisory role to KiwiRaiL Holdings Ltd)<br>Chair, CSO Foundation Trust<br>Director, Southern Eye Specialists Limited |
| Shane Ellison<br>1 July 2025 – present | Director, Dunedin City Holdings Limited<br>Director, Dunedin City Treasury Limited<br>Director, Dunedin Stadium Property Limited<br>Director, Waipā Networks Limited and Waipā Networks Growth Limited<br>Infrastructure and Resources Director and Investment Manager for Te Ātiawa o Te Waka a Māui, Koau Capital Partners Limited<br>Member, Kāti Huirapa Rūnaka ki Puketeraki<br>Member, Te Rūnaka o Ōtākou<br>Iwi Member, Ngāti Mutunga, Te Ātiawa, and Ngāti Ruanui<br>Director and shareholder, Tāwhirimātea Advisory (Ngā Kaitohutohu o Tāwhirimātea) Limited<br>Director, Aukaha (1997) Limited<br>Commercial Advisor to Ka Taki te Umere Limited<br>Director, Northway Limited |
| Phillip O'Connell<br>25 September 2025 – present | Safety Analysis Change and Resilience Manager, Airways Corporation of New Zealand Ltd<br>Captain, Royal New Zealand Navy, New Zealand Defence Force<br>Co-Chair, CANSO Safety Intelligence Workgroup (SIWG) |

## DIRECTORS' INTERESTS IN CONTRACTS

Disclosures of interests made by Directors are recorded in the Company's interest register (above). These general disclosures of interests are made in accordance with s140 (2) of the Companies Act 1993 and serve as notice that the Directors may benefit from any transaction between the Company and any of the disclosed entities.

Any significant contracts involving Directors' interests that were entered into during the year ended 30 June 2026 or existed at that date are disclosed in the related parties' section of this report.

## DIRECTORS BENEFITS

No Director has received or become entitled to receive a benefit since the end of the previous financial period other than a benefit included in the Directors remuneration received or due and receivable by the Directors as shown in the financial statements.

There were no notices from Directors requesting to use Company information received in their capacity as Directors that would not otherwise have been available to them.

## DIRECTORS'S INSURANCE

The Company has arranged policies of the Directors' Liability Insurance which ensure generally that the Directors will incur no monetary loss as a result of action undertaken by them as Directors, provided that they operate within the law.

## CHANGE OF DIRECTORS

Shane Ellison was appointed as Director on 1st July 2025 and Phillip O'Connell was appointed as Director on 25th September 2025

## DIRECTOR'S REMUNERATION

The remuneration paid to Directors during the year was:

| | For the year ended 30 June 2026 $000 | For the year ended 30 June 2025 $000 |
|---|---|---|
| Tim Loan (appointed 3 October 2022) | - | - |
| Greg Anderson (appointed 1 July 2023) | - | - |
| Susie Johnstone (appointed 1 March 2021) | - | - |
| Chris Milne (appointed 1 July 2023) | - | - |
| Adrian Januszkiewicz (Chair, appointed 1 November 2024) | 52 | 33 |
| Shane Ellison (appointed 1 July 2025) | - | - |
| Phillip O'Connell (appointed 25 September 2025) | 22 | - |
| **Total** | **74** | **33** |

## EMPLOYEES' REMUNERATION

Data relating to employees whose remuneration and benefits exceeded $100,000 for the year ended 30 June 2026 is provided below. Remuneration includes all non-cash benefits and redundancy payments at total cost to the Company where applicable.

| | For the year ended 30 June 2026 | For the year ended 30 June 2025 |
|---|---|---|
| Remuneration band | **Number of employees** | **Number of employees** |
| $190,000 - $199,999 | 1 | - |
| $180,000 - $189,999 | - | 1 |
| $130,000 - $139,999 | - | 1 |
| $120,000 - $129,999 | 1 | - |
| $110,000 - $119,999 | - | 1 |
| $100,000 - $109,999 | 3 | 3 |

## GENDER DIVERSITY

The table below shows the number of male and female personnel at the Company, at Board, Management and staff levels, as at 30 June 2026.

| | Male | Female |
|---|---|---|
| Board | 6 | 1 |
| Management | 4 | 3 |
| All other employees (includes permanent and casual) | 22 | 19 |

## HEALTH AND SAFETY

The Company continues to place a high priority on health and safety across all areas of its operations. During FY2026, significant work was undertaken to strengthen the organisation's risk management and safety systems, supporting the Company's commitment to providing a safe environment for employees, passengers, contractors and visitors.

A review and update of the Company's Risk Management Framework was completed during the year. This included aligning risk management procedures, the risk register and risk assessment tools to a consistent methodology, reviewing operational risks, strengthening governance oversight, and ensuring risks are clearly identified, assessed and managed.

The Company also achieved a positive outcome from its annual Operational Safety Assessment (OSA), demonstrating the effectiveness of its Safety Management System and its ongoing commitment to regulatory compliance and continuous improvement. This result reflects the strong safety culture embedded throughout the organisation and the continued focus on maintaining high operational standards.

Throughout the year, the Health and Safety Committee remained active in identifying and monitoring opportunities for improvement. All health and safety improvement actions raised during the year were completed, ensuring identified issues were addressed promptly and contributing to a safer workplace for all staff.

The Company remains committed to continually improving its health and safety performance and maintaining robust systems and processes that support the safe delivery of its operations.

## DIVIDENDS

The directors have recommended that no dividend be paid for the year ended 30 June 2026.

## AUDITOR

The Auditor-General is appointed as Auditor pursuant to s70 of the Local Government Act 2002. The Auditor-General has contracted the audit to The Audit Office.

# Statement of Comprehensive Revenue and Expense

**For the year ended 30 June 2026**

| | Note | Actual 2026 $000 | Budget 2026 $000 | Actual 2025 $000 |
|---|---|---|---|---|
| Operating Revenue | 1 | 5,130 | 4,827 | 3,204 |
| Impairment Reversal | 2 | - | - | 2,297 |
| Gain on Sale of PPE | | 7 | - | - |
| Interest received from funds on deposit | | 18 | 29 | 26 |
| **Total Revenue** | | **5,155** | **4,856** | **5,527** |
| Less Expenses | | | | |
| Operating Expenses | 3 | 5,576 | 6,957 | 4,386 |
| **Total Expenses** | | **5,576** | **6,957** | **4,386** |
| **Surplus/(Deficit) Before Tax** | | **(421)** | **(2,101)** | **1,141** |
| Income Tax Expense (Credit) | 4 | - | - | - |
| **Net surplus (deficit) from continuing operations** | | **(421)** | **(2,101)** | **1,141** |
| Other Comprehensive Revenue and Expense | | - | - | - |
| **Total Comprehensive Revenue and Expense** | | **(421)** | **(2,101)** | **1,141** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

## Statement of Changes in Equity

**For the year ended 30 June 2026**

| | Note | Actual 2026 $000 | Budget 2026 $000 | Actual 2025 $000 |
|---|---|---|---|---|
| **Equity at the Beginning of the Year** | | **2,696** | **2,574** | **305** |
| **Comprehensive Revenue and Expense** | | | | |
| Surplus/(Deficit) from continuing operations | **9** | (421) | (2,101) | 1,141 |
| | | **2,275** | **473** | **1,446** |
| Capital Contributions from Owners | **9** | 1,000 | 2,000 | 1,250 |
| **Equity at the End of the Year** | | **3,275** | **2,473** | **2,696** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Statement of Financial Position

**As at 30 June 2026**

| | Note | Actual 2026 $000 | Budget 2026 $000 | Actual 2025 $000 |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash and Cash Equivalents | 5 | 1,101 | 222 | 430 |
| Trade and Other Receivables | | 78 | 84 | 48 |
| Inventories | | 178 | 27 | 167 |
| Income Tax | | 2 | 8 | 8 |
| GST Refund Receivable | | 22 | 15 | 23 |
| **Total Current Assets** | | 1,380 | 356 | 676 |
| **Non-Current Assets** | | | | |
| Property, Plant and Equipment | 6 | 2,468 | 2,381 | 2,650 |
| **Total Non-Current Assets** | | 2,468 | 2,381 | 2,650 |
| **Total Assets** | | **3,848** | **2,737** | **3,326** |
| **Current Liabilities** | | | | |
| Trade and Other Payables | 7 | 392 | 95 | 452 |
| Provisions | | 181 | 169 | 178 |
| **Total Current Liabilities** | | **573** | **264** | **630** |
| **Non Current Liabilities** | | | | |
| Deferred Tax Liability (Asset) | 8 | - | - | - |
| **Total Non-Current Liabilities** | | **-** | **-** | **-** |
| **Total Liabilities** | | **573** | **264** | **630** |
| **Equity** | | | | |
| Share Capital | 9 | 13,097 | 14,097 | 12,097 |
| Retained Earnings | 9 | (9,822) | (11,624) | (9,401) |
| **Total Equity** | | 3,275 | 2,473 | 2,696 |
| **Total Liabilities and Equity** | | **3,848** | **2,737** | **3,326** |

**For and on behalf of the Board of Directors:**

**Chair** **Director**

**Date: 26 August 2026**

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Statement of Cash Flows

## For the year ended 30 June 2026

| | Note | Actual 2026 $000 | Budget 2026 $000 | Actual 2025 $000 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| **Cash was provided from:** | | | | |
| Receipts from Customers | | 5,115 | 4,842 | 3,212 |
| Interest Received | | 18 | 29 | 26 |
| | | **5,133** | **4,871** | **3,238** |
| **Cash was disbursed to:** | | | | |
| Payments to Suppliers and Employees | | 5,321 | 6,634 | 4,091 |
| Income Tax Paid (Received) | | (6) | - | 2 |
| Net GST Movement | | (0) | - | 4 |
| | | **5,314** | **6,634** | **4,097** |
| **Net Cash inflows / (outflows) from Operating Activities** | | **(181)** | **(1,763)** | **(859)** |
| **Cash Flows from Investing Activities** | | | | |
| **Cash was provided from:** | | | | |
| Sale of Property, Plant and Equipment | | 7 | - | - |
| | | **7** | **-** | **-** |
| **Cash was disbursed to:** | | | | |
| Purchase of Property, Plant and Equipment | | 155 | 215 | 179 |
| | | **155** | **215** | **179** |
| **Net Cash inflows / (outflows) from Investing Activities** | | **(148)** | **(215)** | **(179)** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

## Statement of Cash Flows (continued)

**For the year ended 30 June 2026**

| | Note | Actual 2026 $000 | Budget 2026 $000 | Actual 2025 $000 |
|---|---|---|---|---|
| **Cash Flows from Financing Activities** | | | | |
| **Cash was provided from:** | | | | |
| Contributions of Capital | | 1,000 | 2,000 | 1,250 |
| Proceeds from Borrowing | | - | - | - |
| | | **1,000** | **2,000** | **1,250** |
| **Cash was disbursed to:** | | | | |
| Repayment of Borrowings | | - | - | - |
| | | **-** | **-** | **-** |
| **Net Cash inflows / (outflows) from Financing Activities** | | **1,000** | **2,000** | **1,250** |
| **Net Increase / (Decrease) in Cash Held** | | **671** | **22** | **213** |
| Cash and Cash Equivalents at the Beginning of the Year | | 430 | 200 | 217 |
| **Cash and Cash Equivalents at the End of the Year** | **5** | **1,101** | **222** | **430** |
| **Composition of Cash** | | | | |
| Cash and Cash Equivalents | | 1,101 | 222 | 430 |
| Bank Overdraft | | **-** | **-** | **-** |
| **Cash and Cash Equivalents at the End of the Year** | **5** | **1,101** | **222** | **430** |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Notes to the Financial Statements

## REPORTING ENTITY

The financial statements presented here are for the reporting entity Dunedin Railways Limited ("the Company").

Dunedin Railways Limited is a Council-Controlled Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is wholly owned by Dunedin City Holdings Limited and its ultimate shareholder is Dunedin City Council.

The registered office of the Company is 50 The Octagon, Dunedin.

The primary objective of Dunedin Railways Limited is to operate short scenic rail tourism excursions, preserving railway heritage and supporting tourism in the Otago region.

The financial statements of the Company are for the year ended 30 June 2026.

## STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Tier 2 Public Benefit Entity Accounting Standards and comply with PBE Standards Reduced Disclosure Regime (PBE Standards RDR).

The Company is eligible to apply Tier 2 PBE Accounting Standards as it is not publicly accountable and does not have expenses exceeding $33m per annum.

The financial statements were authorised for issue by the Board of Directors on 26 August 2026.

## BASIS OF PREPARATION

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared on a historical cost basis.

These financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. All financial information has been rounded to the nearest thousand ($000).

The accounting policies set out below have been applied consistently in preparing the financial statements for the year ended 30 June 2026 and the comparative information for the year ended 30 June 2025.

## GOING CONCERN

The financial statements have been prepared on a going concern basis.

The Directors have assessed the Company's ability to continue as a going concern and have considered the Company's financial forecasts, cash flow projections, strong operational performance during the year, ongoing shareholder support for the track renewal programme, and a letter of support from Dunedin City Holdings Limited confirming financial support, if required, for at least 12 months from the date of signing these financial statements.

Based on this assessment, the Directors are satisfied that the Company has adequate resources to continue operating and meet its obligations as they fall due for the foreseeable future and that the use of the going concern basis of accounting is appropriate.

## CHANGES IN ACCOUNTING POLICIES

There have been no changes in the Company's accounting policies since the date of the last audited financial statements. Accounting policies have been applied consistently to all years presented in these financial statements.

## SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these financial statements, the Company has made estimates, judgements and assumptions concerning the future. These are based on historical experience and other factors considered reasonable in the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised and, where relevant, in future periods.

Significant sources of estimation uncertainty are:

- Useful lives of Property, Plant and Equipment (Note 6)

## GOODS AND SERVICES TAX (GST)

All items in the financial statements are stated exclusive of GST, except for trade receivables and trade payables which are stated on a GST inclusive basis.

| | 2026 $000 | 2025 $000 |
|---|---|---|

## 1. OPERATING REVENUE

| | | |
|---|---|---|
| Sales Revenue | 5,130 | 3,204 |
| | 5,130 | 3,204 |

### Sales Revenue Accounting Policy

The Company's principal source of revenue is scenic and heritage rail tourism experiences. Revenue from ticket sales is recognised when the related journey has been provided to the customer.

Revenue from merchandise sales, training services and other operating activities is recognised when the related goods or services have been provided to the customer.
Amounts received in advance of services being provided are recognised as deferred income and recognised as revenue when the services have been delivered.

Revenue is measured at the fair value of consideration received or receivable and is stated net of discounts and goods and services tax (GST).

## 2. IMPAIRMENT REVERSAL

| | | |
|---|---|---|
| Property, Plant and Equipment | - | 2,201 |
| Inventory | - | 96 |
| | - | 2,297 |

No impairment losses or impairment reversals were recognised during the year ended 30 June 2026 (2025: impairment reversal of $2,297).

During the year ended 30 June 2025, the Company reversed impairment losses previously recognised in 2020 on its property, plant and equipment and inventory. The reversal followed a reassessment of the recoverable service amount of those assets after the Company resumed operating as a going concern. In accordance with PBE IPSAS21 paragraph 68 and PBE IPSAS12 paragraph 42, the reversal was limited to the carrying amounts that would have been determined had no impairment losses been recognised in prior periods.

## 3. OPERATING EXPENSES

| | | |
|---|---|---|
| Audit Fees - audit of the current year financial statements | 96 | 94 |
| Audit Fees - recoveries related to the audit of previous years financial statements | 10 | - |
| Contractors, Materials & Consumables | 2,156 | 1,961 |
| Depreciation | 336 | 47 |
| Employee Expenses | 2,443 | 1,898 |
| Other Operating Expenses | 535 | 386 |
| | 5,576 | 4,386 |

| | 2026 $000 | 2025 $000 |
|---|---|---|

## 4. TAXATION

| | | |
|---|---|---|
| Operating Surplus/(Deficit) before Tax - Continuing Operations | (421) | 1,141 |
| Operating Surplus/(Deficit) before Income Tax | (421) | 1,141 |
| Tax thereon at 28% | (118) | 320 |
| Plus/(Less) the Tax Effect on Differences | | |
| Expenditure not Deductible for Taxation | - | - |
| Under/(Over) Provision in Prior Years | - | - |
| Deferred Tax Assets not recognised | 118 | (320) |
| Tax Effect of Differences | 118 | (320) |
| **Tax Expense** | **-** | **-** |
| Effective Tax Rate | 0% | 0% |
| *Represented by* | | |
| Current Tax Provision | - | - |
| Prior Period Adjustment | - | - |
| Current Tax Movement | - | - |
| Current Deferred Tax Provision | | |
| Deferred Tax Movement | - | - |
| (Under)/Over Tax Provision in Prior Years | - | - |
| Income Tax | - | - |

### Taxation Accounting Policy

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable surplus for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of revenue or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### Imputation Credit Account

The Company has an imputation credit account balance of $341,434 as at 30 June 2026 (2025: $347,519).

## 5. CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash and Bank | 201 | 430 |
| Deposit with DCTL | 900 | - |
| | 1,101 | 430 |

### Cash and Cash Equivalents Accounting Policy

Cash and cash equivalents comprise cash in hand, bank balances, funds held on call with Dunedin City Treasury Limited (DCTL), and short-term deposits with original maturities of three months or less.

For the purposes of the Statement of Cashflows, cash and cash equivalents comprise, cash on hand, deposits held at call with banks, funds held on call with DCTL, and other short-term highly liquid investments with original maturities of three months or less.

## 6. PROPERTY, PLANT AND EQUIPMENT

| | Buildings $'000 | Rolling Stock $'000 | Track $'000 | Plant & Equipment $'000 | Vehicles $'000 | Work in Progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Year Ended 30 June 2026:** | | | | | | | |
| **Cost or Valuation** | | | | | | | |
| Balance at Beginning of Period | 21 | 5,605 | 1,097 | 1,390 | 371 | - | **8,483** |
| Purchases | - | 8 | 7 | 86 | - | 54 | **155** |
| Sales/Disposals | - | - | - | - | (40) | - | **(40)** |
| Adjustment | - | (15) | - | 15 | - | - | **-** |
| Balance at End of Period | 21 | 5,598 | 1,104 | 1,490 | 331 | 54 | **8,598** |
| **Accumulated Depreciation** | | | | | | | |
| Balance at Beginning of Period | 18 | 4,140 | 212 | 1,120 | 342 | - | **5,833** |
| Depreciation | - | 229 | 24 | 73 | 10 | - | **336** |
| Sales/Disposals | - | - | - | - | (40) | - | **(40)** |
| Impairment | - | - | - | - | - | - | **-** |
| | 18 | 4,369 | 236 | 1,192 | 312 | - | **6,130** |
| Balance at End of Period | 3 | 1,228 | 867 | 298 | 18 | 54 | **2,468** |

During the year, the Company disposed of property, plant and equipment with a carrying value of $0 and recognised a gain on disposal of $7,000.

| | Buildings $'000 | Rolling Stock $'000 | Track $'000 | Plant & Equipment $'000 | Vehicles $'000 | Work in Progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Year Ended 30 June 2025** | | | | | | | |
| **Cost or Valuation** | | | | | | | |
| Balance at Beginning of Period | - | 254 | - | 149 | 3 | - | **406** |
| Purchases | - | 36 | - | 123 | 20 | - | **179** |
| Sales/Disposals | - | - | - | - | - | - | **-** |
| Impairment Reversal | 21 | 5,315 | 1,097 | 1,118 | 348 | - | **7,900** |
| Balance at End of Period | 21 | 5,605 | 1,097 | 1,390 | 371 | - | **8,483** |
| **Accumulated Depreciation** | | | | | | | |
| Balance at Beginning of Period | - | 57 | - | 29 | 3 | - | **89** |
| Depreciation | - | 18 | - | 28 | 1 | - | **47** |
| Sales/Disposals | - | - | - | - | - | - | **-** |
| Impairment Reversal | 18 | 4,065 | 212 | 1,063 | 338 | - | **5,696** |
| | 18 | 4,140 | 212 | 1,120 | 342 | - | **5,833** |
| Balance at End of Period | 3 | 1,465 | 885 | 270 | 29 | - | **2,650** |

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

No impairment losses or impairment reversals were recognised during the year ended 30 June 2026 (2025: impairment reversal of $2.2 million).

The impairment reversal recognised during the year ended 30 June 2025 followed a reassessment of the recoverable service amount of the Company's rail corridor and associated assets. The recoverable service amount was determined using value in use calculated on a depreciated replacement cost basis. In accordance with PBE IPSAS 21, the impairment reversal was limited to the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

### Property, Plant and Equipment Accounting Policy

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in surplus or deficit.

Depreciation is calculated to write off the cost of the assets less their residual values using the straight-line method over their useful lives and is recognised in surplus or deficit. The assets' residual values and useful lives are reviewed at the end of each reporting period.

The useful lives and associated depreciation rates of major classes of property, plant and equipment have been estimated as follows:

Buildings 0% - 17%

Rolling stock 2% - 33%

Track 2% - 10%

Plant & equipment 5% - 70%

Vehicles 8% - 21%

The Company assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, the Company estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use. Where the carrying amount exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

Where an impairment loss recognised in prior periods no longer exists or has decreased, the impairment loss is reversed to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior periods.

In determining fair value less costs to sell, the Company assesses market value based on the best available information available at the reporting date.

| | 2026 $000 | 2025 $000 |
|---|---|---|

## 7. TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Trade Payables | 370 | 255 |
| Due to Related Parties | 3 | 8 |
| Accruals and Revenue in Advance | 19 | 189 |
| | 392 | 452 |

### Trade and Other Payables Accounting Policy

Trade and Other Payables are stated at cost.

## 8. DEFERRED TAX LIABILITY

| 2026 | $000 Opening Sheet | $000 Charged Equity | $000 Charged Revenue | $000 Subvention Payment | $000 Closing Assets | $000 Liabilities | $000 Net |
|---|---|---|---|---|---|---|---|
| Receivables | - | - | - | - | - | - | - |
| Inventories | 71 | - | - | - | 71 | - | 71 |
| Property, Plant and Equipment | (119) | - | 27 | - | (92) | - | (92) |
| Employee Entitlements | 47 | - | 2 | - | 49 | - | 49 |
| Provision and Adjustments | 2 | - | - | - | 2 | - | 2 |
| Tax Losses | 2,653 | - | 89 | - | 2,742 | - | 2,742 |
| Derecognise DTA/DTL | (2,654) | - | (118) | - | (2,772) | - | (2,772) |
| | - | - | - | - | - | - | - |

| 2025 | $000 Opening Sheet | $000 Charged Equity | $000 Charged Revenue | $000 Subvention Payment | $000 Closing Assets | $000 Liabilities | $000 Net |
|---|---|---|---|---|---|---|---|
| Receivables | - | - | - | - | - | - | - |
| Inventories | 98 | - | (27) | - | 71 | - | 71 |
| Property, Plant and Equipment | 581 | - | (700) | - | (119) | - | (119) |
| Employee Entitlements | 23 | - | 24 | - | 47 | - | 47 |
| Provision and Adjustments | - | - | 2 | - | 2 | - | 2 |
| Tax Losses | 2,271 | - | 382 | - | 2,653 | - | 2,653 |
| Derecognise DTA/DTL | (2,973) | - | 319 | - | (2,654) | - | (2,654) |
| | - | - | - | - | - | - | - |

A deferred tax asset has not been recognised in relation to tax losses of $9,781,000 (tax effect $2,739,000) and temporary differences of $121,000 (tax effect $34,000).

### Deferred Tax Accounting Policy

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax surplus nor the accounting surplus.

| | 2026 $000 | 2025 $000 |
|---|---|---|

## 9. EQUITY

### Share Capital

| | | |
|---|---|---|
| Shares on issue $1 per share | 13,097 | 12,097 |
| Called and fully paid Capital: | | |
| Opening Balance | 12,097 | 10,847 |
| Capital Contribution from owners | 1,000 | 1,250 |
| Balance at the end of the year | 13,097 | 12,097 |
| Uncalled capital | - | - |

Fully paid ordinary shares carry one vote per share, carry a right to dividends and, upon wind up, a pro rata share of the Company's net assets.

During FY26, the shareholder made a capital contribution of $1 million through the issue of 1 million ordinary shares at $1 per share (2025: 1.25 millon shares @ $1 per share, for a total contribution of $1.25 million).

### Retained Earnings

| | | |
|---|---|---|
| Opening balance | (9,401) | (10,542) |
| Net Surplus / (deficit) for the year after taxation | (421) | 1,141 |
| Balance at the End of the Year | (9,822) | (9,401) |

## 10. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets comprise cash and cash equivalents, trade and other receivables, and amounts due from related parties.

Financial liabilities comprise trade and other payables and amounts due to related parties.

Financial assets and financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost.

### Risk Management

The Company is exposed to credit risk, liquidity risk and market risk through its financial instruments.

Dunedin City Treasury Limited co-ordinates treasury and funding activities across the Dunedin City Council group and assists in managing financial risks on behalf of the Company.

Credit risk arises principally from cash and cash equivalents and trade receivables. The Company manages this risk through ongoing monitoring of receivable balances and counterparty exposures.

| | 2026 $000 | 2025 $000 |
|---|---|---|

## 10. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk represents the Company's ability to meet its contractual obligations as they fall due. The Company manages this risk through regular cash flow forecasting, access to group treasury facilities, and ongoing shareholder support.

The Company has access to a $500,000 revolving loan facility provided through Dunedin City Treasury Limited. No amounts were drawn against the facility at 30 June 2026 (2025: NIL).

## 11. RELATED PARTY TRANSACTIONS

The Company is 100% owned by Dunedin City Holdings Limited. Dunedin City Holdings Limited is a wholly owned subsidiary of the Dunedin City Council. The Company undertakes transactions with the Dunedin City Council and other Dunedin City Council controlled entities.

| | | |
|---|---|---|
| **Transactions with the Dunedin City Council** | | |
| Purchase of Goods and Services from the Dunedin City Council | | |
| Rates, Events, Leases | 3 | 1 |
| Other Expenditure | 2 | 5 |
| Revenue from Goods and Services provided to the Dunedin City Council | | |
| Ticket Revenue | 31 | 46 |
| **Transactions with the Dunedin City Holdings Limited** | | |
| Purchase of Goods and Services from the Dunedin City Holdings Limited | | |
| Expenses Oncharged | 6 | - |
| **Transactions with the Dunedin City Treasury Limited** | | |
| Interest Received | 4 | 3 |
| Funds held on Behalf of the Company | 900 | - |
| Amounts receivable as at balance date | 2 | |
| **Transactions with the Dunedin Venues Management Limited** | | |
| Purchase of Goods and Services from Dunedin Venues | | |
| Management Fees | 29 | 100 |
| Expenses Oncharged | 31 | 32 |
| Amount Payable as at balance date | 3 | - |

There were no other related party transactions during the period.

No related party debts have been written off or forgiven during the period.

| | | |
|---|---|---|
| **Key Management Personnel Remuneration** | | |
| Directors | | |
| Number | 2 | 1 |
| Remuneration | 74 | 33 |
| Senior Management Team including CEO | | |
| Full-time equivalent members | 10 | 6 |
| Remuneration | 982 | 656 |
| **Total Key Mangement Personnel** | **1,056** | **689** |

## 11. RELATED PARTY TRANSACTIONS (CONTINUED)

Key Management Personnel includes Directors, CEO and members of the Senior Leadership Team. During FY2026, key management personnel increased due to organisational growth, including the expansion of the Senior Leadership Team to support increased operations. The year also included costs associated with the changes in senior leadership positions and the settlement of employee entitlements.

## 12. CAPITAL COMMITMENTS

The company has no capital commitments as at 30 June 2026 (2025: $nil).

## 13. LEASE COMMITMENTS

The Company leases part of the DCC Rotary Park from Dunedin City Council, together with certain office and operational equipment. Lease payments are recognised as an expense on a straight-line basis over the lease term. During the year, the Company also entered into a short-term locomotive lease arrangement.

| | |
|---|---|
| Future minimum lease payments under non-cancellable operating lease agreements: | |
| Not later than one year | 3 |
| Later than one year and not later than five years | 2 |
| Later than five years | - |
| | |
| Lease expense recognised during the year comprised: | |
| Minimum lease payments | 37 |
| Contingent rentals | 5 |
| Sublease payments received | - |
| | 42 |

Contingent rentals comprise locomotive usage charges based on kilometres travelled and printer charges based on actual printing volumes.

## 14. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET AND PRIOR YEAR

Explanation for major variances from the Company's 2025/26 budget and prior year figures are as follows:

### Statement of Comprehensive Revenue and Expense

Operating revenue for the year was $5.1 million, compared with the budgeted $4.8 million. This was primarily due to higher passenger volumes than anticipated. Revenue increased by $1.9 million compared with FY2025, reflecting the Company's continued progression towards operational maturity following the hibernation period. Cruise operations were a particularly strong contributor to performance during FY2026.

Total operating expenses were $5.5 million, compared with the budgeted $6.9 million. The favourable variance was largely attributable to lower than budgeted asset maintenance expenditure, as some planned maintenance activities were deferred while services continued to be re-established following hibernation. Operating expenditure was approximately $1.3 million below budget. Compared with FY2025, operating expenses increased by $1.2 million, reflecting higher staffing levels and increased operating activity as the business continued its return to normal operations.

## 14. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET AND PRIOR YEAR (CONTINUED)

### Statement of Financial Position

Capital contributions for the year were $1 million, compared with the budgeted $2 million. Stronger than expected operating results, combined with lower expenditure on asset maintenance and improved cash flows reduced the requirement for additional capital funding during the year.

Cash and cash equivalents at year end were $1.1 million, compared with the budgeted balance of $200k and $400k in FY2025. The higher cash balance reflects the stronger operating performance and lower than anticipated expenditure described above.

Property, Plant and Equipment (PPE) purchases for FY2026 were $155,000, compared with the budgeted $219,000. This variance reflects changes to capital expenditure priorities and the timing of asset maintenance and renewal activities during the year.

Overall, the Company's financial performance for FY2026 reflects the continued transition from the hibernation period to a more mature operating environment. Revenue exceeded budget due to stronger passenger volumes, while expenditure remained below budget as some planned asset maintenance activities were deferred. As a result, cash reserves were stronger than anticipated and the requirement for shareholder capital contributions was lower than budgeted.

## 15. CONTINGENT LIABILITIES

An employment-related matter remains subject to resolution. Based on legal advice, no provision has been recognised as an outflow of resources is not considered probable. The financial consequences (if any) of this matter are not quantifiable at this time. Should any obligation arise, management expects the financial impact to be minor.

The company knows of no other material or significant contingent assets or liabilities as at balance date.

## 16. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no material events subsequent to the reporting date that would require adjustment to, or disclosure in, these financial statements.

# Independent Auditor's Report

The Audit Office
Te Mana Arotake

**Independent Auditor's Report**

**To the readers of Dunedin Railways Limited's financial statements and performance information for the year ended 30 June 2026**

The Auditor-General is the auditor of Dunedin Railways Limited (the Company). The Auditor-General has appointed me, Jenna Hills, using the staff and resources of The Audit Office, to carry out the audit of the financial statements and performance information on his behalf.

We have audited:

- the financial statements of the Company that comprise the statement of financial position as at 30 June 2026, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date, and the notes to the financial statements that include material accounting policy information and other explanatory information on pages 16 to 31; and
- the performance information that consists of the statement of service performance for the year ended 30 June 2026 on page 6.

## Opinion

**Qualified opinion on the financial statements**

In our opinion, except for the possible effects of the matter described in the *Basis for our opinion* section of our report, the financial statements of the Company present fairly, in all material respects, its financial position as at 30 June 2026, and its financial performance and cash flows for the year then ended, in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

**Unmodified opinion on the performance information**

In our opinion, the performance information accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures adopted for the year ended 30 June 2026, and has been prepared, in material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

## Basis for our opinion

***Financial statements: our work was limited over the reversal of impairment recognised in the prior year***

As disclosed in note 2 on page 23, the Company was put into hibernation on 1 July 2020, and as a result the Company impaired its property, plant and equipment and inventory assets at that time. We were unable to obtain sufficient appropriate evidence to support the written-down values of the assets and the associated impairment expense and expressed a disclaimer of opinion on the 30 June 2021 to 2024 financial statements.

During the 30 June 2025 financial year, the Board of Directors determined that it was appropriate for the impairment of its property, plant and equipment and inventory assets previously recognised to be reversed. Whilst we were able to gain assurance over property, plant and equipment and inventories as at 30 June 2025, our work over the impairment reversal of $2,297,000 was limited as any misstatement of the opening carrying value of property, plant and equipment and inventories as at 1 July 2024 would consequently affect the value of the impairment reversal recognised in the year ending 30 June 2025. Our audit opinion on the financial statements for the period ended 30 June 2025 was modified accordingly.

Accordingly, our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and comply with Public Benefit Entity Standards Reduced Disclosure Regime. The Board of Directors is also responsible for preparing the performance information contained in the statement of service performance of the Company in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

### Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and performance information.

For the budget information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the Company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We evaluate the overall presentation, structure and content of the performance information, including the disclosures, and assess whether the performance information achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives in its statement of intent.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### Other information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and the performance information consisting of the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the *Basis for our opinion* section above, we are unable to obtain assurance that the reported reversal of impairment recognised within total revenue in the statement of comprehensive revenue and expense for the year ended 30 June 2025 and presented as comparatives is materially correct. Accordingly, the other information that includes financial information about the Company may be materially misstated with respect to this matter.

**Independence**

We are independent of the Company in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Company.

Jenna Hills
The Audit Office
On behalf of the Auditor-General
Dunedin, New Zealand
26 August 2026

# Dunedin Stadium Property Limited

# Annual Report

# 2026

## Dunedin Stadium Property Limited

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## Dunedin Stadium Property Limited

### Directors' report
### For the year ended 30 June 2026

This report presents Dunedin Stadium Property Limited's (the Company's) activities and results for the year ended 30 June 2026.

#### Principal activities of the company

The principal activity of the Company is the ownership of Forsyth Barr Stadium. In particular the Company oversees that the stadium is maintained to a standard that enables it to operate effectively.

#### Review of operations

During the year the stadium operated effectively, hosting various events operated by Dunedin Venues Management Limited (DVML).

Each year, the Asset Management Plan is reviewed. This includes an appropriate budget to maintain assets at an operational level over the next ten years. In some cases, the timing of the maintenance spend may be altered or the budget increased over that in the Asset Management Plan, due to increased costs or so as to provide for a longer life.

#### Results for the year ended 30 June 2026

The Company recorded a net deficit before subventions and income tax of $8,840,000 for the year. This deficit is $521,000 smaller than the previous year.

This year a $3,638,684 subvention payment was received from companies within the Dunedin City Holdings Limited group in relation to the 2025 financial year. Subvention payments are dependent on the ongoing profitability of the underlying group of companies owned by Dunedin City Holdings Limited. The Company has tax losses of $12,479,353 to carry forward, which the Company intends to transfer to the Dunedin City Holdings Limited group in future years by means of subvention payments and tax loss offsets.

#### State of affairs

The Directors consider that the state of affairs of the Company is as anticipated.

#### Outlook

On 4 March 2026, Council approved additional equity funding of $1.25 million in 2026/27, increasing to $2.5 million from 2027/28 onwards. Modelling indicates that this additional funding will enable planned capital expenditure and debt repayment over the economic life of the Forsyth Barr Stadium.

## Dunedin Stadium Property Limited

# Directors' report
# For the year ended 30 June 2026

### Changes in accounting policies

There have been no changes in accounting policies.

### Borrowings

During the year, all interest payments have been met. Dunedin City Holdings Limited injected capital of $2,905,000 during the year and a portion of this has been used to settle debt.

### Auditors

The Controller and Auditor-General has contracted the audit to The Audit Office. The total remuneration payable by the Company to the auditor for the year was $43,379 (2025: $45,103).

### Directors' interests in contracts

No material contracts involving Directors' interests were entered into during the year ended 30 June 2026 or existed at the end of this twelve month period.

### Directors' insurance

As allowed by the Company's Constitution, Dunedin Stadium Property Limited has arranged policies of Directors' Liability Insurance which, together with a deed of indemnity, ensure that the Directors will incur no monetary loss as a result of actions undertaken by them as Directors, provided that they operate within the law.

### Directors' remuneration

| *Director* | *Position* | *Remuneration* |
|---|---|---|
| David O'Malley | Chair | $ 27,000 |
| Tim Loan | Non-executive director | Nil |
| Susie Johnstone | Non-executive director | Nil |
| Chris Milne | Non-executive director | Nil |
| Greg Anderson | Non-executive director | Nil |
| Shane Ellison | Non-executive director | Nil |

### Directors' benefits

No Director of Dunedin Stadium Property Limited has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the Directors as shown in the financial statements.

There were no notices from Directors of the Company requesting use of company information received in their capacity as Directors which would not otherwise have been available to them.

### Financial statements

The audited financial statements for the year ended 30 June 2026 are attached to this report.

## Dunedin Stadium Property Limited

### Greenhouse gas emissions summary
### For the year ended 30 June 2026

The Dunedin City Holdings Limited Group continues to annually assess and measure its Greenhouse Gas (GHG) emissions.

This process is completed in accordance with the requirements of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and ISO 14064-1:2018 Specification with Guidance at the Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

#### Results

All emissions associated with the Company's asset – Forsyth Barr Stadium – are measured and reported by Dunedin Venues Management Limited, as the entity that makes decisions regarding the operation of the asset.

There is a small amount of administrative servicing conducted for Dunedin Stadium Property Limited by the Dunedin City Holdings Limited management team; emissions associated with that work are captured within Dunedin City Holdings Limited's emissions measurement, which is reported in that entity's Annual Report.

Dunedin Stadium Property Limited therefore has no emissions to report directly.

Dunedin Stadium Property Ltd does, however, have a role to play in reducing emissions and waste associated with Forsyth Barr Stadium, as the owner of the asset. The company developed an emissions and waste reduction strategy in 2022 and has continued to implement the actions from this strategy in 2025 and 2026. All capital expenditure proposals include consideration of sustainability impacts and work continues to identify potential emission reduction opportunities at the Stadium.

In line with the DCHL Carbon Roadmap, the Company has committed to reducing emissions and working with DCC and DCHL to identify and scope further opportunities to contribute to Dunedin's citywide goals.

## Dunedin Stadium Property Limited

### Directors' declarations of interest
### For the year ended 30 June 2026

| Director | Declarations of Interests |
|---|---|
| **David O'Malley**<br>1 June 2025 - present | Director, Dunedin Stadium Property Limited<br>Director and Shareholder of Octa Associates Limited<br>Director, Atco Enterprises Limited |
| **Greg Anderson**<br>1 July 2023 - present | Director, Dunedin City Holdings Limited<br>Director, Dunedin City Treasury Limited<br>Director, Dunedin Stadium Property Limited<br>Director, Dunedin Railways Limited<br>Director and Shareholder, Northington Partners Limited (including subsidiary companies Northington Agricapital Limited, NPL Investments Limited and NPL No.1 Holdco Limited)<br>Director and Shareholder, Cultivate Ventures GP Limited (including related entity NPL No. 2 LP Limited)<br>Director and Shareholder, NZ Drinks Holdings Limited (including subsidiary NZ Drinks Limited)<br>Director and Shareholder, Hedgebook Limited<br>Director and Shareholder, Stirling Sports Limited<br>Director and Shareholder, Reliable Foundations Holdings Limited (including subsidiary companies and related entities: Reliable Foundations NZ Limited, Reliable Foundations (South Island) Limited, RFL Earthworks NZ Limited, RFL Earthworks (South Island) Limited, Reliable Foundations GP Limited, NPL No.1 LP Limited)<br>Director and Shareholder, Agri Realty Limited<br>Director and Shareholder, Ra Tuatahi No. 1 Limited<br>Trustee, St Margaret's College Foundation |
| **Tim Loan**<br>3 October 2022 - Present | Director, Dunedin City Holdings Limited<br>Director, Dunedin City Treasury Limited<br>Director, Dunedin Stadium Property Limited<br>Director, Dunedin Railways Limited<br>Director and Shareholder, Abbot Insurance Brokers Southern Limited<br>Director, Finance Now Limited (including subsidiary companies: TW Financial Services Operations Limited, The Warehouse Financial Services Ltd and SBS Money Limited<br>Director and Shareholder, LWB Holdings Limited<br>Director, Presbyterian Support Southland Holding Company Limited<br>Director, Presbyterian Support Southland Retirement Villages Limited<br>Chair, H&J Smith Holdings Limited (including subsidiary companies: H&J Smith Limited, H&J Smith Parking Building Limited, Outdoor World Limited, Outdoor Adventures Limited (dormant), H&J's Hardware Limited (dormant), Southern Department Stores Limited (dormant), Shotover Hardware Limited, Symphony Retailing Limited, Cross Roads Properties Limited, H&J.'s Electrical Limited, H&J's Properties Limited, H&J Smith Corporate Limited, H&J Smith Finance Limited) |

## Dunedin Stadium Property Limited

### Directors' declarations of interest
### For the year ended 30 June 2026

| Director | Declarations of Interests |
|---|---|
| **Susie Johnstone**<br>1 March 2021 - present | Director, Dunedin City Holdings Limited<br>Director, Dunedin City Treasury Limited<br>Director, Dunedin Stadium Property Limited<br>Director, Dunedin Railways Limited<br>Director & Shareholder, Shand Thomson Chartered Accountants<br>Director, SDH GP Limited<br>Trustee, Dunedin Diocese Trust Board<br>Trustee, Clutha Community Foundation<br>Trustee of various client trusts through Shand Thomson & Abacus Nominee Companies |
| **Chris Milne**<br>1 July 2023 - present | Director, Dunedin City Holdings Limited<br>Director, Dunedin City Treasury Limited<br>Director, Dunedin Stadium Property Limited<br>Director, Dunedin Railways Limited<br>Director and Shareholder, Murray & Company Limited<br>Chair, CSO Foundation Trust |
| **Shane Ellison**<br>1 July 2025 - present | Director, Dunedin City Holdings Limited<br>Director, Dunedin City Treasury Limited<br>Director, Dunedin Stadium Property Limited<br>Director, Dunedin Railways Limited<br>Director, Waipā Networks Limited and Waipā Networks Growth Limited<br>Infrastructure and Resources Director and Investment Manager for Te Ātiawa o Te Waka a Māui, Koau Capital Partners Limited<br>Strategic Advisory (Auckland Project), oOH Media<br>Member, Kāti Huirapa Rūnaka ki Puketeraki<br>Member, Te Rūnaka o Ōtākou<br>Iwi Member, Ngāti Mutunga, Te Ātiawa, and Ngāti Ruanui<br>Director and shareholder, Tāwhirimātea Advisory (Ngā Kaitohutohu o Tāwhirimātea) Limited<br>Director, Aukaha (1997) Limited |

## Dunedin Stadium Property Limited

### Statement of responsibility
### For the year ended 30 June 2026

The Board of Dunedin Stadium Property Limited accepts responsibility for the preparation of the annual financial statements and the judgements used in them;

The Board of Dunedin Stadium Property Limited accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

In the opinion of the Board of Dunedin Stadium Property Limited, the annual financial statements for the financial year ended 30 June 2026 fairly reflect the financial position and operations of Dunedin Stadium Property Limited.

Chair
26 August 2026

Director
26 August 2026

## Dunedin Stadium Property Limited

### Statement of comprehensive revenue and expense
### For the year ended 30 June 2026

| | Note | Actual 2026 $'000 | Budget 2026 $'000 | Actual 2025 $'000 |
|---|---|---|---|---|
| Operating revenue | 1 | 1,263 | 1,000 | 1,000 |
| Financial revenue | 2 | 2 | - | 2 |
| Total revenue | | 1,265 | 1,000 | 1,002 |
| Less expenses: | | | | |
| Operating expenses | 4 | 1,921 | 1,421 | 1,240 |
| Interest expense | 3 | 3,458 | 3,412 | 3,744 |
| Depreciation | 6 | 4,726 | 4,747 | 5,379 |
| Total expenditure | | 10,105 | 9,580 | 10,363 |
| Surplus / (deficit) before tax | | (8,840) | (8,580) | (9,361) |
| Subvention receipt | | 3,639 | 5,502 | 3,206 |
| Income tax expense / (benefit) | 5 | - | - | - |
| Net surplus / (deficit) after tax | | (5,201) | (3,078) | (6,155) |
| Other comprehensive revenue and expense | | - | - | - |
| Total comprehensive revenue and expense for the year | | (5,201) | (3,078) | (6,155) |

### Statement of changes in equity
### For the year ended 30 June 2026

| | | Actual 2026 $'000 | Budget 2026 $'000 | Actual 2025 $'000 |
|---|---|---|---|---|
| Opening equity | | 48,164 | 47,946 | 52,069 |
| Share capital contributions | 12 | 2,905 | 2,905 | 2,250 |
| Total comprehensive revenue and expense for the year | 12 | (5,201) | (3,078) | (6,155) |
| Closing equity | | 45,868 | 47,773 | 48,164 |

The accompanying notes and accounting policies form an integral part of these financial statements.

**Dunedin Stadium Property Limited**

## Statement of financial position
## As at 30 June 2026

| | Note | Actual 2026 $'000 | Budget 2026 $'000 | Actual 2025 $'000 |
|---|---|---|---|---|
| **Current assets** | | | | |
| Cash and cash equivalents | 9 | 17 | 20 | 20 |
| Trade and other receivables | 10 | 151 | 177 | 107 |
| Total current assets | | 168 | 197 | 127 |
| **Non-current assets** | | | | |
| Property, plant and equipment | 6 | 129,737 | 133,578 | 133,718 |
| Total non-current assets | | 129,737 | 133,578 | 133,718 |
| **Total assets** | | 129,905 | 133,775 | 133,845 |
| **Current liabilities** | | | | |
| Trade and other payables | 11 | 957 | 108 | 317 |
| Current portion of term borrowings | 7 | 847 | 797 | 806 |
| Total current liabilities | | 1,804 | 904 | 1,123 |
| **Non-current liabilities** | | | | |
| Term borrowings | 7 | 82,233 | 85,098 | 84,558 |
| Total non-current liabilities | | 82,233 | 85,098 | 84,558 |
| **Equity** | | | | |
| Share capital | 12 | 136,834 | 133,929 | 133,929 |
| Accumulated comprehensive revenue and expense | 12 | (90,966) | (86,156) | (85,765) |
| Total equity | | 45,868 | 47,773 | 48,164 |
| **Total liabilities and equity** | | 129,905 | 133,775 | 133,845 |

The accompanying notes and accounting policies form an integral part of these financial statements.

**Dunedin Stadium Property Limited**

## Statement of cash flows
## For the Year Ended 30 June 2026

| | Note | Actual 2026 $'000 | Budget 2026 $'000 | Actual 2025 $'000 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| *Cash was provided from:* | | | | |
| Receipts from customers | | 1,217 | 1,000 | 1,000 |
| Subvention receipts | | 3,639 | 5,502 | 3,206 |
| Interest received | | 2 | - | 2 |
| Net GST received | | - | - | - |
| | | 4,858 | 6,502 | 4,208 |
| *Cash was disbursed to:* | | | | |
| Interest paid | | 3,417 | 3,403 | 3,705 |
| Net GST paid | | 194 | 166 | 137 |
| Payments to suppliers | | 1,251 | 1,447 | 1,257 |
| | | 4,862 | 5,016 | 5,099 |
| Net cash inflow/(outflow) from operating activities | 17 | (4) | 1,487 | (891) |
| **Cash flow from investing activities** | | | | |
| *Cash was provided from:* | | | | |
| Proceeds received from property, plant and equipment | | - | - | 308 |
| *Cash was disbursed to:* | | | | |
| Purchase of property, plant and equipment | | 579 | 4,621 | 925 |
| Net cash inflow/(outflow) from investing activities | | (579) | (4,621) | (617) |
| **Cash flow from financing activities** | | | | |
| *Cash was provided from:* | | | | |
| Shareholder capital | | 2,905 | 2,905 | 2,250 |
| Receipt from borrowings | | 4,535 | 6,081 | 6,135 |
| | | 7,440 | 8,986 | 8,385 |
| *Cash was disbursed to:* | | | | |
| Repayment of borrowings | | 6,860 | 5,848 | 6,877 |
| | | 6,860 | 5,848 | 6,877 |
| Net cash inflow/(outflow) from financing activities | | 580 | 3,138 | 1,508 |
| **Net increase/(decrease) in cash** | | (3) | 3 | 0 |
| Opening cash and cash equivalents | | 20 | 17 | 20 |
| **Closing cash and cash equivalents** | 9 | 17 | 20 | 20 |

The accompanying notes and accounting policies form an integral part of these financial statements.

## Dunedin Stadium Property Limited

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

### Reporting entity

The financial statements presented here are for the reporting entity Dunedin Stadium Property Limited (the Company).

Dunedin Stadium Property Limited is a Council Controlled Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is wholly owned by Dunedin City Holdings Limited, and its ultimate shareholder is Dunedin City Council.

The registered address of the Company is 50 The Octagon, Dunedin.

The primary objective of Dunedin Stadium Property Limited is to own and maintain the Forsyth Barr Stadium and receive a rental from the tenant.

The financial statements of the Company are for the year ended 30 June 2026.

Dunedin Stadium Property Limited is a Public Benefit Entity.

### Statement of compliance

Under the accounting standards framework, the Company is deemed a Tier 2 PBE (RDR) on the basis that it is not considered publicly accountable or large (expenditure is less than $33m per annum).

The financial statements were authorised for issue by the Directors on 31 August 2026.

### Basis of preparation

The financial statements have been prepared in accordance with the requirements of the LGA 2002, which includes the requirements to comply with NZ GAAP.

The financial statements have been prepared on an historical cost basis.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates. The financial statements are rounded to the nearest thousand ($000).

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2026 and the comparative information for the year ended 30 June 2025.

### Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of Goods and Services Tax (GST), except for trade receivables and trade payables which are recognised inclusive of GST.

**Dunedin Stadium Property Limited**

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

### Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual result. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. No estimates or assumptions made are considered to have a material risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

At each balance date, the useful lives and residual values of property, plant and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset.

### Critical judgements in applying accounting policies

There has been critical judgement applied in determining the useful lives of assets for the year ended 30 June 2026.

### Changes in accounting policies

There have been no changes in accounting policies.

## Dunedin Stadium Property Limited

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

### 1. Operating Revenue

Accounting policy
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Subvention receipts are received to the value of the losses available to be utilised by companies within the consolidated tax group. Annual subvention receipts are recognised when due and payable. Subvention receipt for loss utilisation is recognised upon completion of the consolidated tax return.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Rental and reimbursements from Dunedin Venues Management Limited | 1,000 | 1,000 |
| Insurance proceeds | 263 | - |
| | 1,263 | 1,000 |

### 2. Financial Revenue

Accounting policy
Interest income is accrued, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Interest received from funds on deposit | 2 | 2 |

The rate of interest earned on deposits is 2.54% (2025: 4.37% p.a.)

### 3. Interest Expense

Accounting policy
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive revenue and expense in the period in which they are incurred.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Interest to Dunedin City Treasury Limited | 3,458 | 3,744 |

**Dunedin Stadium Property Limited**

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

### 4. Operating Expenses

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Audit fees - for audit of financial statements | 43 | 42 |
| Audit fees - cost recovery from last year's audit | - | 3 |
| Directors remuneration | 27 | 24 |
| Other expenses | 1,851 | 1,171 |
| Total operating expenses | 1,921 | 1,240 |

### 5. Taxation

Accounting policy

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive revenue and expense because it excludes items of revenue or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Surplus / (deficit) for the year before income tax | (8,840) | (9,361) |
| Income tax credit at 28% | (2,475) | (2,621) |
| *Tax effect of following adjustments* | | |
| Non-deductible building depreciation | 761 | 759 |
| Deferred tax on losses not recognised | 1,714 | 1,862 |
| Tax losses to be utilised | - | - |
| Adjustment to previous years taxation provision | - | - |
| Income tax expense / (benefit) | - | - |

## Dunedin Stadium Property Limited

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

The Company has not recognised a deferred tax asset in relation to tax losses of $12,479,353 (2025: $19,300,038) and temporary differences of nil (2025: nil).

The Company intends to transfer the tax losses to the DCC Group in future years by means of subvention payments and tax loss offsets.

### 6. Property, Plant and Equipment

Accounting policy

Property, plant and equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

The Company's entire property, plant and equipment (known as Forsyth Barr Stadium) is subject to an operating lease with Dunedin Venues Management Limited.

All property, plant and equipment is stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets on the straight-line basis. Rates used have been calculated to allocate the assets cost less estimated residual value over their estimated remaining useful lives. Depreciation commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation rates and methods used are as follows:

| | *Rate* | *Method* |
|---|---|---|
| Buildings | 2% | Straight line |
| Fit out | 2% to 30% | Straight line |
| Pitch construction | 7.5% to 13.5% | Straight line |
| External site works | 2% to 10.5% | Straight line |
| Furniture, fittings & equipment | 4% to 67% | Straight line |

Impairment of assets

At each balance date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense.

## Dunedin Stadium Property Limited

### Notes to the Financial Statements
### For the Year Ended 30 June 2026

Impairment of assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is immediately recognised as revenue.

| 2026 | Land | Buildings | Fit out | Pitch construction | External site works | Fixtures fittings & equipment | Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cost | | | | | | | | |
| Balance at beginning of year | 28,526 | 126,815 | 47,504 | 2,223 | 7,101 | 11,625 | 362 | 224,155 |
| Additions | - | - | - | - | - | - | 746 | 746 |
| Disposals | - | - | - | - | - | - | - | - |
| Transfers | - | 349 | 237 | - | - | 19 | (605) | - |
| Balance at end of year | 28,526 | 127,163 | 47,741 | 2,223 | 7,101 | 11,644 | 503 | 224,901 |
| Accumulated depreciation | | | | | | | | |
| Balance at beginning of year | - | 35,201 | 39,460 | 2,222 | 2,974 | 10,580 | - | 90,438 |
| Depreciation | - | 2,540 | 1,754 | 1 | 168 | 265 | - | 4,726 |
| Disposals | - | - | - | - | - | - | - | - |
| | - | 37,741 | 41,214 | 2,223 | 3,142 | 10,845 | - | 95,164 |
| Net book value at end of year | 28,526 | 89,422 | 6,528 | - | 3,959 | 799 | 503 | 129,737 |

| 2025 | Land | Buildings | Fit out | Pitch construction | External site works | Fixtures fittings & equipment | Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cost | | | | | | | | |
| Balance at beginning of year | 28,526 | 126,465 | 47,191 | 2,223 | 7,101 | 11,619 | 227 | 223,351 |
| Additions | - | - | 120 | - | - | - | 818 | 938 |
| Disposals | - | - | (134) | - | - | - | - | (134) |
| Transfers | - | 350 | 328 | - | - | 6 | (684) | - |
| Balance at end of year | 28,526 | 126,815 | 47,504 | 2,223 | 7,101 | 11,625 | 362 | 224,156 |
| Accumulated depreciation | | | | | | | | |
| Balance at beginning of year | - | 32,670 | 37,359 | 2,183 | 2,768 | 10,213 | - | 85,193 |
| Depreciation | - | 2,531 | 2,236 | 39 | 206 | 367 | - | 5,379 |
| Disposals | - | - | (134) | - | - | - | - | (134) |
| | - | 35,201 | 39,460 | 2,222 | 2,974 | 10,580 | - | 90,438 |
| Net book value at end of year | 28,526 | 91,614 | 8,044 | 0 | 4,127 | 1,045 | 362 | 133,718 |

## Dunedin Stadium Property Limited

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

### 7. Term Borrowings

Accounting policy
Term borrowings are recorded gross of directly attributable transaction costs and measured at amortised cost. The total facility amount available to the Company is $90 million. Finance charges are accounted for on an accrual basis to the statement of financial performance using the effective interest method and are included in the current portion of the term borrowings.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Loan balance owing to Dunedin City Treasury Limited | 83,080 | 85,364 |
| | | |
| The repayment period on the borrowings is as follows: | | |
| Less than one year (current portion) | 847 | 806 |
| Greater than one year (non-current portion) | 82,233 | 84,558 |
| | 83,080 | 85,364 |

Debt repayment is reviewed annually. Term borrowings are planned to be reduced each year with any surplus funds available after expenses.

The Company continues to work with Dunedin City Holdings Limited and its subsidiary companies on maintaining cash funding through subvention receipts and equity contributions.

The weighted average interest rate for the loan facility at year end was 4.15% (2025: 4.41%).

All borrowings are provided under a facility agreement with Dunedin City Treasury Limited (DCTL), a related party of the Company. DCTL provides corporate treasury services to Dunedin City Council (DCC), Dunedin City Holdings Limited (DCHL) and its subsidiaries. DCTL sources external debt and on-lends to DCC and the council-controlled organisations based on an average cost of borrowings. The borrowings are not required to be repaid provided the borrower is not in default and continues to meet the terms of the borrowing. The borrower may repay principal balances at any time.

The Company has assessed that the fair value of borrowings on initial recognition is the face value. The interest rate set by DCTL is considered a market rate as it is based on an internal borrowing index for a fixed interest period. Debt is sourced by DCTL on ordinary commercial terms, arranged by major trading banks. DCTL also borrows from the Local Government Funding Agency (LGFA). DCTL has a credit rating equal to that of DCC and has assessed the same level of credit risk for all borrowers within the DCC group since they are ultimately owned by DCC and rely on their underlying support in a stress scenario. Accordingly, DCTL does not apply different credit spreads to different borrowers.

For the reasons noted above, the Company continues to deem it appropriate to measure its loan from DCTL at amortised cost.

**Dunedin Stadium Property Limited**

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

### 8. Financial Instruments

Accounting policy
Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are classified according to the substance of the contractual arrangements entered into. All financial assets and financial liabilities are recognised at amortised cost.

#### Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern. The Company is undercapitalised, however the Company has uncalled capital of $108,166,089 and the Company's ability to make calls on this uncalled capital will enable the Company to manage the capital risk.

| Categories of financial instruments | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Financial assets: | | |
| Bank current account | 17 | 20 |
| Debtors and other receivables | 46 | 16 |
| Interest receivable | 1 | 1 |
| | | |
| Financial liabilities: | | |
| Creditors and accrued expenses | 957 | 317 |
| Borrowings (current and non-current) | 83,080 | 85,364 |

### 9. Cash and Cash Equivalents

Accounting policy
Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Bank current account | 17 | 20 |
| | 17 | 20 |

Cash and short-term deposits comprise cash held by the Company and short-term deposits. The carrying amount of these assets approximates their fair value.

**Dunedin Stadium Property Limited**

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

### 10. Trade and Other Receivables

Accounting policy
Trade and other receivables are stated at cost less any expected credit losses.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Interest receivable | 1 | 1 |
| Debtors and other receivables | 46 | 16 |
| GST Receivable | 104 | 90 |
| | 151 | 107 |
| Total receivables comprise: | | |
| Receivables from non-exchange transactions | - | - |
| Receivables from exchange transactions | 151 | 107 |

### 11. Trade and Other Payables

Accounting policy
Trade and other payables are stated at cost.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Trade creditors and accrued expenses | 957 | 317 |
| | 957 | 317 |

### 12. Equity

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| **Share capital** | | |
| Shares on issue $1 per share | 245,000 | 245,000 |
| Called and fully paid capital: | | |
| Opening balance | 133,929 | 131,679 |
| Call on capital during the year | 2,905 | 2,250 |
| Balance at the end of the year | 136,834 | 133,929 |
| Uncalled capital | 108,166 | 111,071 |

Fully paid ordinary shares carry one vote per share, carry a right to dividends and, upon winding up, a pro rata share of the Company's net assets.

| | | |
|---|---|---|
| **Accumulated comprehensive revenue and expense** | | |
| Opening balance | (85,765) | (79,610) |
| Net surplus / (deficit) for the year after taxation | (5,201) | (6,155) |
| Balance at the end of the year | (90,966) | (85,765) |

**Dunedin Stadium Property Limited**

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

### 13. Capital Expenditure and Operating Lease Commitments

#### Capital commitments

At balance date, the Company had the following contractual commitments in respect of property, plant and equipment:

Fit-out $51,608 (2025: $118,606)

#### Operating lease commitments as lessee

The Company had no operating lease commitments as lessee at year end (2025: $nil).

#### Operating lease commitments as lessor

The Company has entered into a rental agreement with Dunedin Venues Management Limited to rent the stadium assets for a term of 20 years from 1 August 2011. A variation of lease came into effect on 1 July 2024 with the rental being $1,000,000 per annum (2025: $1,000,000).

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Rent receivable within one year | 1,000 | 1,000 |
| Rent receivable between one to five years | 4,000 | 4,000 |
| Rent receivable later than five years | 83 | 1,083 |
| | 5,083 | 6,083 |

### 14. Contingent Liabilities

There were no contingent liabilities at year end (2025: $nil).

### 15. Related Party Transactions

Transactions with Dunedin City Council and its controlled entities:
The Company provided services and traded with Dunedin City Council and its controlled entities in respect of the following transactions:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| **Dunedin City Council** | | |
| Rates paid | 186 | 180 |
| | 186 | 180 |
| **Dunedin City Treasury Limited** | | |
| Interest paid | 3,458 | 3,744 |
| Interest received | 2 | 2 |
| | 3,460 | 3,746 |
| *As at balance date:* | | |
| Payable to Dunedin City Treasury Limited: | | |
| Loan – refer Note 7 | 83,080 | 85,364 |
| | 83,080 | 85,364 |

The receipt from borrowings and repayment of borrowings is disclosed in the Statement of Cash Flows.

| | | |
|---|---|---|
| Receivable from Dunedin City Treasury Limited: | | |
| Interest receivable | 1 | 1 |
| | 1 | 1 |

## Dunedin Stadium Property Limited

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

### Dunedin Venues Management Limited

| | | |
|---|---|---|
| Rent received | 1,000 | 1,000 |
| Management fee paid | (70) | (70) |
| Reimbursements for capital expenditure | (746) | (938) |
| Reimbursements for operating expenses | (986) | (333) |
| | (802) | (341) |
| *As at balance date:* | | |
| Payable to Dunedin Venues Management Limited: | 919 | 270 |
| Receivable from Dunedin Venues Management Limited: | - | - |
| | 919 | 270 |

### City Forests Limited

| | | |
|---|---|---|
| Subvention payment received | 3,104 | 1,777 |
| | 3,104 | 1,777 |

During the year, losses were transferred to City Forest Limited by subvention payment of $3,104,000 and loss offset of $7,982,000.

### Aurora Energy Limited

| | | |
|---|---|---|
| Subvention payment received | 535 | 1,429 |
| | 535 | 1,429 |

During the year, losses were transferred to Aurora Energy Limited by subvention payment of $535,000 and loss offset of $1,375,000.

No related party debts have been written off or forgiven during the year and no provision has been required for impairment of any receivables from related parties.

### Compensation of key management personnel

The remuneration of Directors during the year was $27,000 (2025: $24,205).

A management agreement is in place with the Dunedin City Holdings Limited (DCHL) to provide management and accounting services to the Company. DCHL does not intend to charge the Company for these services. The necessary governance is provided by the Chair and Directors of the Company. The majority of Directors are also Directors of DCHL and are remunerated by DCHL. One Director, who was appointed to the Board in June 2025 and became Chair in July 2025, is not a Director of DCHL and was remunerated directly by the Company for their service during June. The Chair continued to be remunerated by the Company.

**Dunedin Stadium Property Limited**

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

### 16. Explanations of major variances against budget

Explanations for major variances from the Company's 2025/26 budget figures are as follows:

*Statement of comprehensive revenue and expense*
The subvention receipt for the year was $3,638,684, compared to a budgeted $5,502,141. The lower receipt reflects the utilisation of lower than expected taxable profits across the Group.

Operating expenses for the year were $10,105,000, compared to a budgeted $9,579,774. This reflected higher than expected maintenace costs.

*Statement of financial position*
Term borrowings at 30 June 2026 were $82,233,000, compared to a budgeted $85,097,653. The lower borrowings position is primarily attributable to variation in capital spend.

### 17. Going Concern

The financial statements have been prepared using the going concern assumption.

The Company has recorded a net deficit after taxation of $5,201,000 and a net working capital deficit of ($1,636,000) at 30 June 2026.

This year subvention payments of $3,638,684 were received from companies within the Dunedin City Holdings Limited Group in relation to the 2025 financial year. The ability to make subvention payments is dependent on the ongoing profitability of the Dunedin City Consolidated Income Tax Group. The Company has tax losses of $12,479,353 to carry forward as at 30 June 2026, which the Company intends to transfer to the Dunedin City Holdings Limited group in future years by means of subvention payments and tax loss offsets.

On 4 March 2026, Council approved additional equity funding of $1.25 million in 2026/27, increasing to $2.5 million from 2027/28 onwards. Modelling indicates that this additional funding will enable planned capital expenditure and debt repayment over the economic life of the Forsyth Barr Stadium.

The Company's position is mitigated by uncalled capital of $108,166,089. Under its Constitution, the uncalled capital can be drawn by the Company on demand as and when required.

The Company has ongoing borrowing facilities in place with Dunedin City Treasury Limited and is forecasting to remain within existing facility limits during the Statement of Intent forecast period to 30 June 2028.

## Dunedin Stadium Property Limited

## Notes to the Financial Statements
## For the Year Ended 30 June 2026

### 18. Reconciliation of Net Deficit for the Year to Cash Flows from Operating Activities

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Net surplus / (deficit) for the year after taxation | (5,201) | (6,155) |
| *Items not involving cash flows* | | |
| Depreciation | 4,726 | 5,379 |
| *Impact of changes in working capital items* | | |
| (Increase) /decrease in debtors and other receivables | 151 | (16) |
| (Increase) /Decrease in interest receivable | - | - |
| (Increase) /decrease in subvention payment receivable | - | - |
| (Increase) /decrease in income tax receivable | - | - |
| Increase / (decrease) in GST payable | (194) | (137) |
| Increase / (decrease) in trade and other payables | 473 | (1) |
| Increase / (decrease) in interest accrued | 41 | 39 |
| Net cash flow from operating activities | (4) | (891) |

### 19. Events After Balance Date

Subsequent to balance date, the Boards of Dunedin Stadium Property Limited and Dunedin City Holdings Limited approved capital expenditure of $4.1 million to install a Capacity Reduction System at Forsyth Barr Stadium. The system utilises draped curtaining to configure the stadium for smaller capacity events, enabling the stadium operators, Dunedin Venues, to attract and accommodate a broader range of content.

There have been no other events subsequent to balance date that require disclosure in, or adjustment to, these financial statements.

**Dunedin Stadium Property Limited**

## Statement of service performance
## For the Year Ended 30 June 2026

| | Objectives | Performance targets | Achievements |
|---|---|---|---|
| 1 | Ensure an Asset Management Plan which enables general use of the stadium, and meets asset warranty and guarantee requirements, is in place. | An Asset Management Plan is in place. | An Asset Management Plan is in place. |
| 2 | Ensure the Asset Management Plan remains current and relevant. | The Asset Management Plan is internally reviewed annually, and externally reviewed every three years. | The Asset Management Plan has been internally reviewed during the 2026 financial year. The next external review is due in the 2027 financial year. |
| 3 | Ensure assets are appropriately maintained. | A current Building Warrant of Fitness is always maintained for the stadium. | A current Building Warrant of Fitness is in place. |
| | | The Board monitors progress against the Asset Management Plan and material changes to approved budgets. | The Board monitored progress against the Asset Management Plan and considered any material changes to the approved budgets at Board meetings during the year. |
| 4 | Ensure an appropriate debt management programme is in place. | A debt management programme is in place and is reviewed by the board annually. | DSPL's current plan is to direct any available funds, after expenses, to debt reduction. This was reviewed as part of consideration of the budget for FY2027 to FY2029 and results for the year. DSPL borrowings decreased by $2.35m in FY2026. DCC agreed additional equity funding to enable capital expenditure and debt repayment over the economic life of the stadium. |
| 5 | Ensure Statement of Intent is consistent with objectives of the shareholder. | A draft 2026/2027 Statement of Intent will be submitted to the shareholder by 1 March 2026. | The draft 2026/27 Statement of Intent was submitted to DCHL and DCC by 1 March 2026. |
| 6 | Reduce emissions and contribute to Dunedin's citywide goal to be net zero carbon by 2030. | Refine and continue to implement DSPL's carbon emissions and waste reduction strategies. | DSPL continues to implement its strategy. Carbon emission impacts are considered as part of all capital expenditure proposals and opportunities to reduce carbon emmissions have been identified. |
| | | Measure and publicly report our Greenhouse Gas (GHG) emissions in our Annual Report. | GHG disclosures are included in each Annual Report. |

**Dunedin Stadium Property Limited**

## Statement of service performance
## For the Year Ended 30 June 2026

| | | | |
|---|---|---|---|
| 7 | Consult with the shareholder in a timely manner on DSPL strategic or operational matters which could compromise the Council's community outcomes. | No such matters that were not escalated to the shareholder in a timely manner. | There were no matters requiring escalation to the shareholder. |
| 8 | Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage. | No such matters that were not reported to the shareholder within 24 hours. | There were no matters of substance to report to the shareholder. |

| Financial forecasts | $'000 | Achievement | $'000 |
|---|---|---|---|
| EBITDA | (421) | EBITDA | (656) |
| Net surplus/(deficit) after tax | (3,078) | Net surplus/(deficit) after tax | (5,201) |
| Cash flow from operations | 1,487 | Cash flow from operations | (4) |
| Capital expenditure | 4,621 | Capital expenditure | 746 |
| Term loans | 85,098 | Term loans | 82,233 |
| Shareholder's funds | 47,773 | Shareholder's funds | 45,868 |
| Shareholder's funds to total assets | 36% | Shareholder's funds to total assets | 35% |
| Dividend distributions | Nil | Dividend distributions | Nil |

The operating deficit before tax and subventions for the year was $8,832,000 compared to a budgeted deficit of $8,579,774. This unfavourable variance mainly reflects higher maintenance costs. The net deficit after tax was higher than forecast due to lower than expected subvention receipts in respect of prior year tax losses. This represents a timing difference for the Company as unused tax losses continue to be carried forward. Capital expenditure was $3,900,000 less than target due to timing changes in planned capital projects.

## Dunedin Stadium Property Limited

### Directory

#### Directors

David O'Malley (1 July 2025 - present)
Timothy Loan (3 October 2022 - present)
Susie Johnstone (1 March 2021 - present)
Chris Milne (1 July 2023 - present)
Greg Anderson (1 July 2023 - present)
Shane Ellison (1 July 2025 - present)

#### Registered office

50 The Octagon
Dunedin 9016

#### Bankers

Westpac Banking Corporation

#### Solicitors

Anderson Lloyd

#### Taxation advisors

Deloitte

#### Auditor

The Audit Office on behalf of the Controller and Auditor-General

The Audit Office
Te Mana Arotake

**Independent Auditor's Report**

**To the readers of Dunedin Stadium Property Limited's financial statements and performance information for the year ended 30 June 2026**

The Auditor-General is the auditor of Dunedin Stadium Property Limited (the Company). The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of The Audit Office, to carry out the audit of the financial statements and performance information on his behalf.

## Opinion

We have audited:

- the financial statements of the Company that comprise the statement of financial position as at 30 June 2026, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date, and the notes to the financial statements that include material accounting policy information and other explanatory information on pages 8 to 23; and
- the performance information that consists of the statement of service performance for the year ended 30 June 2026 on pages 24 to 25.

In our opinion:

- the financial statements of the Company present fairly, in all material respects, its financial position as at 30 June 2026, and its financial performance and cash flows for the year then ended, in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures adopted for the year ended 30 June 2026, and has been prepared, in material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and comply with Public Benefit Entity Reporting Standards Reduced Disclosure Regime. The Board of Directors is also responsible for preparing the performance information contained in the statement of service performance of the Company in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

### Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and performance information.

For the budget information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the Company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We evaluate the overall presentation, structure and content of the performance information, including the disclosures, and assess whether the performance information achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives in its statement of intent.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### Other information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and the performance information consisting of the statement of performance, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Independence

We are independent of the Company in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Company.

Rudie Tomlinson
The Audit Office
On behalf of the Auditor-General
Dunedin, New Zealand
25 August 2026

dunedin venues
Annual Report
DUNEDIN VENUES 2026

**Dunedin Venues Management Limited**
**Contents**
**For the Year Ended 30 June 2026**


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**Dunedin Venues Management Limited**
**Directory**
**For the Year Ended 30 June 2026**

**DIRECTORS**

- Lee Piper
- Adam La Hood
- Verity Webber
- Dylan Rushbrook

**CHIEF EXECUTIVE OFFICER (interim)**

- Rachael Jenkins

**REGISTERED OFFICE**

- Forsyth Barr Stadium
  130 Anzac Avenue
  Dunedin 9016

**BANKERS**

- Westpac
  Dunedin

**SOLICITORS**

- Anderson Lloyd
  Dunedin

**AUDITOR**

- The Audit Office
  Dunedin
  (On behalf of the Office of the Auditor General)

# Chairperson's and Chief Executive Officer's Report

The past year has seen a diverse programme of sporting, entertainment, cultural, business and community events delivering significant economic and social benefits for Dunedin and the wider Otago region. Our venues continued to attract visitors, support local businesses, provide opportunities for community participation, and showcase Dunedin as a destination for major events.

***Two major events demonstrated the significant value that our venues bring to the city's visitor economy.***

1. The sold-out All Blacks v France Test Match attracted visitors from across New Zealand, with 68% of attendees travelling from outside Dunedin. Independent analysis estimated the match generated $13.2 million in direct additional visitor expenditure, with almost all visiting spectators indicating they would not otherwise have travelled to the city had the event not taken place.

2. Hot Wheels Monster Trucks Live™ was another standout success, delivering two action-packed shows at Forsyth Barr Stadium and attracting strong family audiences from throughout New Zealand. The event generated an estimated $5.94 million in direct additional visitor expenditure, with 66% of attendees travelling from outside Dunedin and almost all visitors stating they would not otherwise have made the trip.

*All Blacks v France*

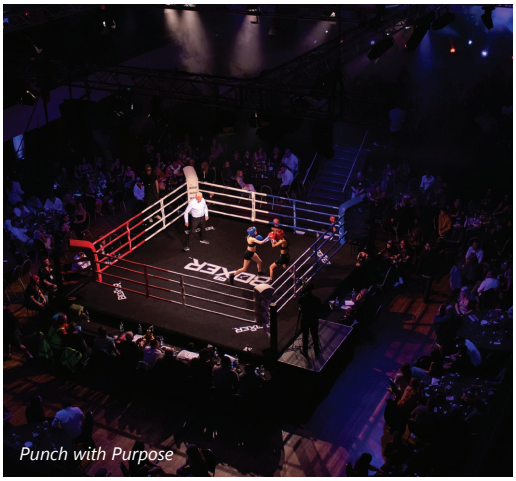
*Hot Wheels Monster Trucks Live™*

Rugby remained a cornerstone of our annual programme. Forsyth Barr Stadium hosted six Highlanders Super Rugby fixtures, while Otago Rugby enjoyed a memorable NPC campaign that saw the team progress through quarter-final and semi-final matches on home soil and the return and successful defence of the Ranfurly Sheild.

Community rugby also featured strongly, with secondary school finals, junior rugby festivals, women's club rugby competitions and representative fixtures all benefiting from access to world-class facilities.

International sport continued to play an important role in our portfolio, with the BLACKCAPS v West Indies T20 International returning elite cricket to the University of Otago Oval. Alongside major sporting events, our venues also welcomed football, rugby league, boxing, dance sport and a range of community sporting activities, ensuring broad access and participation across all levels of competition.

The Dunedin Centre delivered another successful year of entertainment and cultural experiences, welcoming audiences to a diverse programme of music, comedy and live performance. Highlights included Sir Dave Dobbyn, Shapeshifter, Blindspott, Bill Bailey, Jimmy Carr, Danny Bhoy, John Bishop and Hayley Sproull, alongside ongoing performances by the Dunedin Symphony Orchestra, Chamber Music and a variety of choral and community music organisations. Together, these events reinforced the Dunedin Centre's role as a key cultural hub for the city, providing opportunities for residents and visitors to experience world-class entertainment.

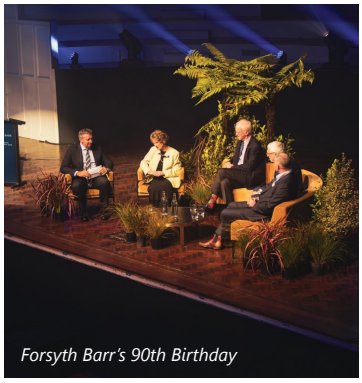

*Punch with Purpose*

*The Beths*

Conference and business events remained an important contributor to both venue activity and the local economy. The Dunedin Centre hosted a strong programme of national conferences, professional meetings and industry gatherings, including events for the Royal Australian and New Zealand College of Psychiatrists, the New Zealand Society for Oncology, Architectural Designers New Zealand and the Vascular Society of Aotearoa New Zealand. These events brought delegates from across the country to experience Dunedin and contributed significantly to the visitor economy.

The versatility of our venues was once again demonstrated through a diverse range of community, business and special events. Highlights included the Dunedin Craft Beer and Food Festival, Relay for Life, Moana Nui Festival, Nature Dome, Children's Day Out, Punch with Purpose, school formals, awards dinners, graduations, citizenship ceremonies and fundraising events.

Our Community Access Grant programme continued to make a meaningful impact by supporting grassroots organisations and community-led initiatives. Through this programme, a wide range of sporting, cultural and community events were able to access our venues, reflecting our commitment to ensuring our facilities remain accessible, inclusive and relevant to the communities we serve.


*Forsyth Barr's 90th Birthday*

As we reflect on another successful year, we extend our sincere thanks to our members, sponsors, event organisers, clients, partners and stakeholders for their ongoing support and trust.

Most importantly, we acknowledge our dedicated staff whose professionalism, passion and commitment underpin every event we deliver. Their efforts continue to create outstanding experiences for our visitors, clients and community, and are fundamental to the success of Dunedin Venues Management Limited.

Lee Piper
**Board Chair**

Rachael Jenkins
**Interim CEO**

**Dunedin Venues Management Limited**
**Statutory Information**
**For the Year Ended 30 June 2026**

The Directors of Dunedin Venues Management Limited (the Company) are pleased to present their report on the activities of the Company for the year ended 30 June 2026.

**Principal Activities of the Company**

The Company is a stadium operator, events and venue management company.

**Results for the Year Ended 30 June 2026**

The report covers the financial year 1 July 2025 to 30 June 2026.

| | **2026** |
|---|---|
| | **$'000** |
| Profit/(Loss) for the year before taxation | 8 |
| Income tax expense | 5 |
| Profit/(Loss) for the year after taxation | 3 |

**State of Affairs**

The Company recorded a net profit after tax of $3,000 for the year.

**Changes in Accounting Policies**

There have been no changes in accounting policies adopted during the year.

**Review of Operations**

Net profit before taxation and subvention was $8,000 for the year, compared to a net loss of $67,000 for the previous year.

**Change of Directors**

Ingrid Roding commenced an Intern Directorship on 1 July 2024 and completed the Internship term on 31 December 2025.

**Social and Environmental Contributions**

The Company continues to maintain a recycling programme incorporating communications with partners, alternative environmentally-friendly products being used, visual displays, improved clean-up procedures and clearly identifiable recycling stations.

**Financial Statements**

The audited financial statements for the year ended 30 June 2026 are attached to this report.

**Dunedin Venues Management Limited**
**Statutory Information**
**For the Year Ended 30 June 2026**

**Directors Interest in Contracts**

Refer to Directors Declarations of Interest section on page 7 and the Related Party Transactions on pages 29 to 31.

**Auditors**

The Controller and Auditor General has contracted the audit to The Audit Office. Auditors remuneration is set out in note 4 to the financial statements on page 21.

**Employee Remuneration**

Details of remuneration ranges (inclusive of retirement allowances) for employees (including the CEO) of the company are:

| | Number of Employees | |
|---|---|---|
| **Remuneration range** | **2026 Total** | **2025 Total** |
| $420,000 - 429,999 | 1 | - |
| $250,000 - 259,999 | - | 1 |
| $210,000 - 219,999 | 2 | - |
| $190,000 - 199,999 | - | 3 |
| $150,000 - 159,999 | 1 | - |
| $130,000 - 139,999 | - | 1 |
| $110,000 - 119,999 | 3 | 1 |
| $100,000 - 109,999 | - | 4 |

The amounts paid to current and former employees include all non-cash benefits and redundancy payments at total cost to the Company, where applicable.

**Chief Executive's Remuneration**

A summary of the Chief Executive Officers salary and benefits received in the 2026 financial year are included in the table below:

| Employee | Salary and other benefits $'000 | Short term incentive $'000 | Long term incentive $'000 | Total $'000 |
|---|---|---|---|---|
| Paul Doorn | 414 | 15 | - | 429 |

On 29 May 2026 Paul Doorn resigned as Chief Executive. On the same date, Rachael Jenkins was appointed as Interim Chief Executive.

The salary and benefits noted above include only those received for the role as Chief Executive, and include all outstanding leave entitlements paid on cessation of employment.

**Dunedin Venues Management Limited**
**Statutory Information**
**For the Year Ended 30 June 2026**

**Directors' Remuneration**

| Director | Responsibility | Remuneration 2026 $'000 | Remuneration 2025 $'000 |
|---|---|---|---|
| Lee Piper | Director to 31 December 2024, appointed Chair of the Board of Directors from 1 January 2025 | 52 | 30 |
| Adam La Hood | Director | 26 | 20 |
| Verity Webber | Director | 26 | 20 |
| Dylan Rushbrook | Director | 26 | 20 |
| Raewyn Lovett | Chair of the Board - Resigned 31 December 2024 | - | 20 |

**Directors' Insurance**

As provided in the Company's Constitution, the Company has arranged policies of Directors' Liability Insurance, which together with a deed of indemnity, ensure that the Directors will incur no monetary loss as a result of actions undertaken by them as Directors, provided that they operate within the law.

**Directors' Benefits**

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the Directors shown in the financial statements.

**Staff**

The Directors once again record their appreciation of the professional and positive manner in which the staff have conducted their duties during the year. The dedication of staff in endeavouring to ensure that the Company meets its operational and financial targets is highly commendable.

**Donations**

| | 2026 $'000 |
|---|---|
| Donations made by the Company during the financial year. | - |

**Dunedin Venues Management Limited**
**Directors Declarations of Interest**
**For the Year Ended 30 June 2026**

| Director | Declarations of Interest |
|---|---|
| Lee Piper<br>(appointed 17 June 2024) | Director, NZ Direct Markets - Stuff Limited<br>Director and Shareholder - Sandpiper Properties Limited<br>Interim Management Services Provided - June 2026 to September 2026, Dunedin Venues Management Limited |
| Adam La Hood<br>(appointed 27 August 2019) | Director, Centre of Digital Excellence Limited<br>CFO, Cook Brothers Construction Limited |
| Verity Webber<br>(appointed 1 October 2023) | Director - Shotover Jet Limited<br>Director and Shareholder, Webber Family Investments Limited<br>Director - New Zealand Māori Tourism Board<br>Director - Larnach Castle Limited<br>Director - Mainland Angel Nominees Limited - appointed 22 October 2025<br>GM Commercial Growth and Strategy - Ngāi Tahu Tourism |
| Dylan Rushbrook<br>(appointed 27 August 2019) | Director and Shareholder, Synergy Tourism Consulting Limited<br>Director, Tourism Talent Limited<br>Director and Shareholder, Tourism Central Limited - ceased 31 March 2026<br>Director, Tourism Talent AU Limited<br>Director, Tourism Talent JPN Limited<br>Director of Regional Deals, Central Otago District Council |

**Dunedin Venues Management Limited**
**Statement of Responsibility**
**For the Year Ended 30 June 2026**

The Board of Dunedin Venues Management Limited accepts responsibility for the preparation of the annual financial statements and the judgements used in them;

The Board of Dunedin Venues Management Limited accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

In the opinion of the Board of Dunedin Venues Management Limited, the annual financial statements for the financial year ended 30 June 2026 fairly reflect the financial position and operations of Dunedin Venues Management Limited.

The Company's owners do not have the power to amend the financial statements after issue.

Lee Piper
**Chairperson**

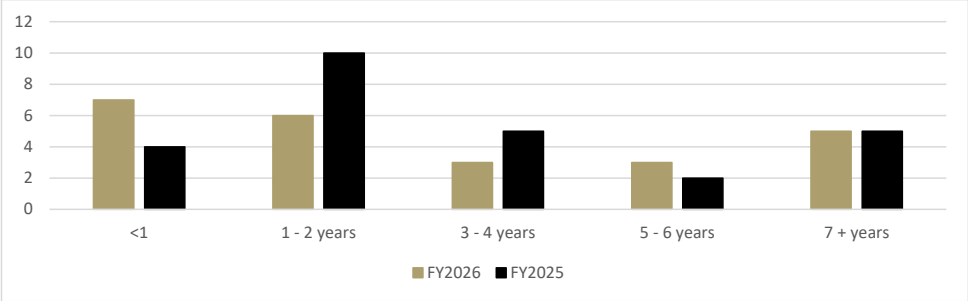
9 September 2026

Adam La Hood
**Director**

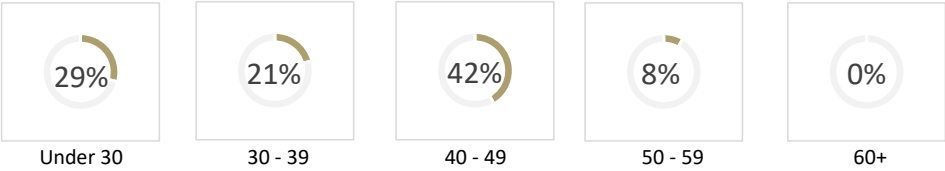
9 September 2026

**Dunedin Venues Management Limited**
**Our People**
**As at 30 June 2026**

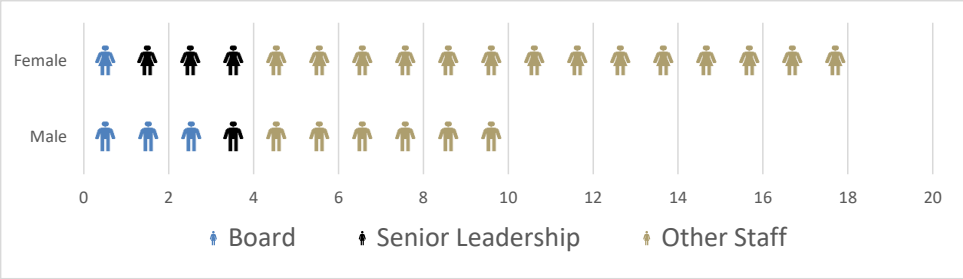
Summary of employees by length of service (years)




Summary of employees by age range




Summary of employees by gender

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**Dunedin Venues Management Limited**
**Our Sustainability**
**For the Year Ended 30 June 2026**

**Greenhouse Gas Emissions Summary**

During the year the Company has assessed and measured its Greenhouse Gas (GHG) emissions. The process was completed in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2018 Specification with Guidance at the Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals. The Company created its first GHG inventory in the 2021 financial year and have been developing it further each year. The Company has, at this stage, focussed on measuring its Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions.

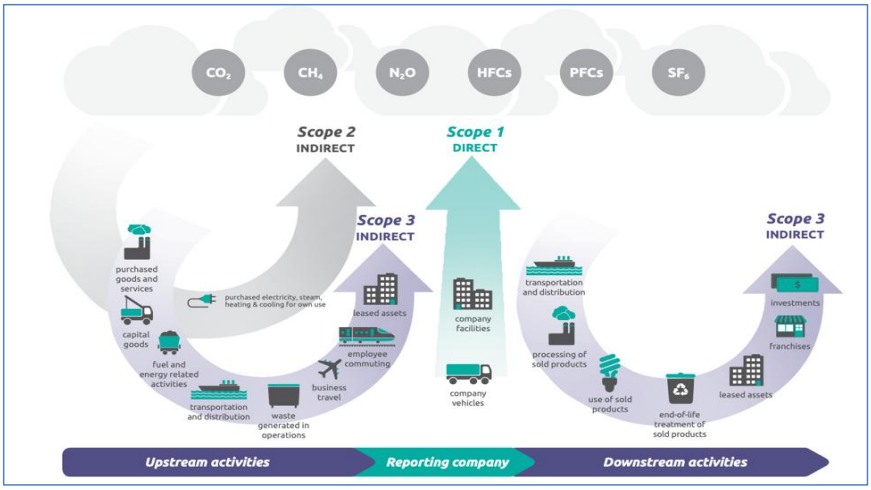


*Figure 1: Source: GHG Protocol - Figure 1.1 of Scope 3 Standard*

**Scope 1 emissions** are direct emissions that are operationally controlled by the Company, including:

- Stationary combustion emissions related to heating Forsyth Barr Stadium and the Dunedin Centre.
- Mobile combustion emissions related to vehicles and machinery owned or operated by the Company.
- Fugitive emissions from refrigerant use within HVAC systems the Company operates.

**Scope 2 emissions** are indirect GHG emissions from imported energy, including:

- Purchased electricity that is consumed at Forsyth Barr Stadium and the Dunedin Centre.

**Scope 3 emissions** - To provide alignment across the Dunedin City Holdings Limited (DCHL) group of companies a consistent set of Scope 3 emission categories have been applied.

The Company's Scope 3 emissions include the following:

- Waste generated in offices.
- Waste generated from activity at Forsyth Barr Stadium and the Dunedin Centre. The waste measurement and reporting scope has been widened to include the waste generated from the Company's key contractors who operate from these facilities.
- Business travel (primarily flights and accommodation).
- Freight transportation (the freighting of goods purchased by the Company).
- Electricity transmission and distribution losses.

At this stage the Company has not captured the indirect emissions from its suppliers and contractors. The Company will review which Scope 3 emissions are relevant and appropriate to measure and report on an ongoing basis.

**Results**

Emissions are reported as tonnes (t) of Carbon Dioxide (CO2) equivalent (e); or tCO2-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

The Company's measured GHG emissions for the year end 30 June 2026 are 506 tCO2-e.

***Table 1: Emissions by Scope***

| Scope | tCO2-e | % of total |
|---|---|---|
| Scope 1 | 220.7 | 44% |
| Scope 2 | 191.1 | 38% |
| Scope 3 | 94.2 | 18% |
| Total | 506.0 | **100%** |

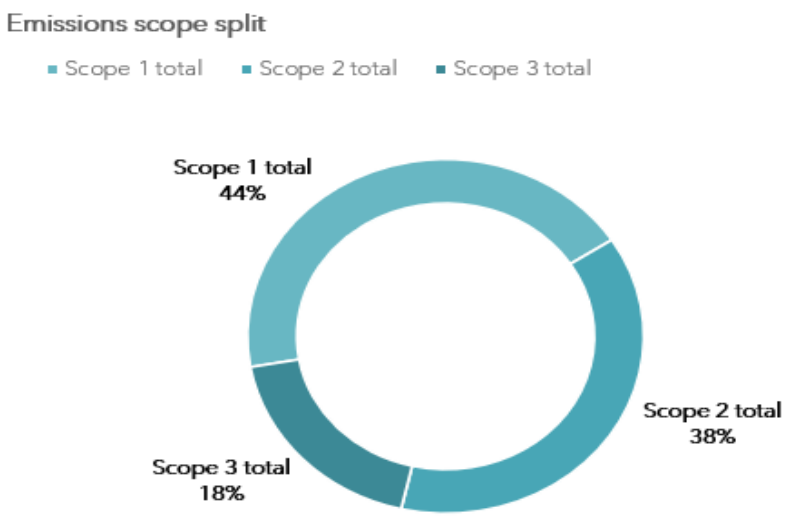


*Figure 2: Emissions by Scope*

**Emissions by Activity**

The Company's emissions sources are summarised below.

***Table 2: Emissions by Activity***

| Category emission source | t $CO_2$-e |
|---|---|
| Fuels | 208.7 |
| Purchased electricity | 191.1 |
| Waste to landfill | 43.7 |
| Tenant electricity | 19.4 |
| T&D losses | 14.5 |
| Refrigerant | 9.6 |
| Flights (Domestic) | 7.8 |
| Flights (International) | 6.3 |
| Fertiliser | 2.3 |
| Tenant electricity T&D losses | 1.5 |
| Accommodation | 0.7 |
| Taxis | 0.4 |
| **Total** | **506.0** |

As the table shows, Fuels is the Company's highest source of emissions.

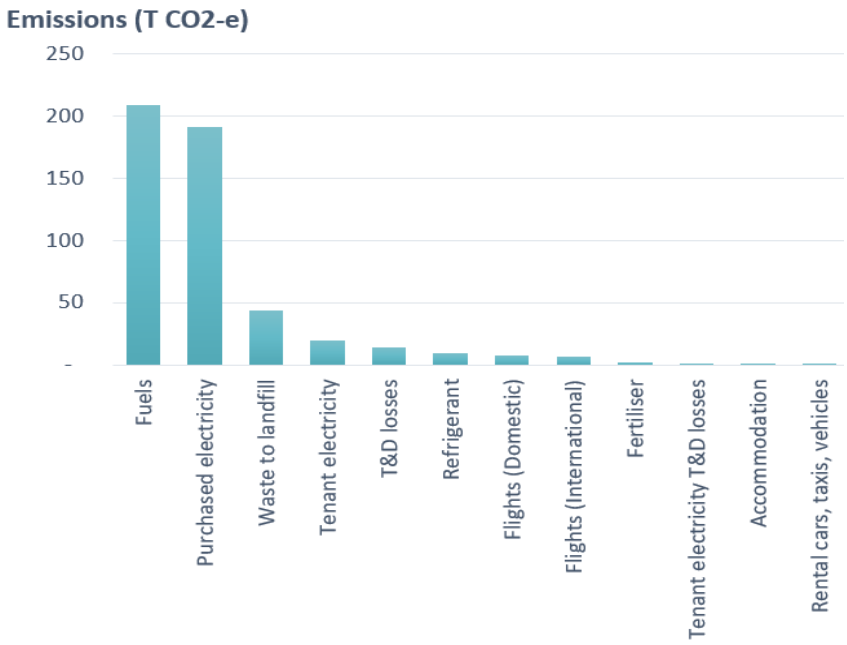


*Figure 3: Emissions by Activity*

**Reporting Against Baseline**

The Company has taken an alternative approach to reporting against its baseline, in recognition of the varied operational profile the Company has had over recent years and could have over the next few years. Under this approach, emissions are monitored and reported as emissions "per 1,000 event attendee's". This allows the Company to target emission reduction, while minimising the impact from the volume of events held.

Emissions "per 1,000 event attendees" in the 2026 financial year, and the baseline year, are reported below.

| | 2026 | Baseline - 2019 |
|---|---|---|
| 000's of event attendees | 244.8 | 390.4 |
| Total Company emissions (tCO2-e) | 506.0 | 911.2 |
| **Emissions per 000's of event attendees (tCO2-e)** | **2.1** | **2.3** |

**Carbon and Waste Reduction Strategies**

During the 2023 financial year the Company developed an emissions reduction strategy and associated targets.

The strategy set an emissions reduction target to reduce emissions per 1,000 event attendees by 45% from the baseline year by 2030.

The Company's emissions reduction strategy focuses on gross emissions reduction which is demonstrated through the actions taken this year.

During the 2026 financial year, the Company achieved a 9% tCO2-e reduction per 1,000 event attendee's on the 2019 baseline emissions.

With 40% of the Company's baseline emissions coming from waste to landfill in its baseline year, a specific waste reduction strategy has been implemented to reduce emissions from waste to landfill.

This strategy records Dunedin Venues' commitment to reducing the volume of waste disposed of to landfill, per 1,000 event attendees, year-on year.

The Company will continue to work on reducing its carbon and waste footprint in the coming year.

**Contribution to Council's Climate Change Initiatives**

In July 2026, based on the Dunedin City Council's updated emissions modelling showing their 2030 net zero target was highly unlikely to be achieved, the Council resolved to adopt a new target, with a short term gross emissions reduction target (emissions before carbon dioxide absorbed by trees is considered), and a longer term net zero target. Council will decide on the specifics of a city-wide emissions target later in 2026.

The Company's carbon reduction strategy is aligned with the council's goal of reducing emissions. The Company has undertaken initiatives to reduce its emissions which includes progress on a Building Management System for optimisation of heating, ventilation and wider energy use.

**Dunedin Venues Management Limited**
**Statement of Comprehensive Income**
**For the Year Ended 30 June 2026**

| | *Note* | **2026 $'000** | **2025 $'000** |
|---|---|---|---|
| Revenue | | | |
| Operating revenue | | 10,718 | 10,438 |
| Government grants | | 1,504 | 1,150 |
| Interest received from funds on deposit | | 119 | 130 |
| Total revenue | 3(c) | 12,341 | 11,718 |
| Less expenses | | | |
| Operating expenses | 4 | 11,041 | 10,458 |
| Depreciation and impairment | 10 | 402 | 401 |
| Depreciation - Right of use lease asset | 9 | 658 | 658 |
| Interest expense | | 232 | 268 |
| Total expenditure | | 12,333 | 11,785 |
| **Profit/(Loss) for the Year before Taxation** | | 8 | (67) |
| Income tax expense/(credit) | 5 | 5 | (19) |
| **Profit/(Loss) for the Year after Taxation** | | 3 | (48) |
| Other comprehensive income | | - | - |
| **Total Comprehensive Income** | | 3 | (48) |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

**Dunedin Venues Management Limited**
**Statement of Changes in Equity**
**For the Year Ended 30 June 2026**

| | *Note* | **Share Capital $'000** | **Retained Earnings $'000** | **Total Equity $'000** |
|---|---|---|---|---|
| 1 July 2025 | | 11,277 | (8,826) | 2,451 |
| Total Comprehensive Income for the year | | - | 3 | 3 |
| Capital contribution | | - | - | - |
| **30 June 2026** | 6 | 11,277 | (8,823) | 2,454 |
| | | | | |
| 1 July 2024 | | 10,977 | (8,778) | 2,199 |
| Total Comprehensive Income for the year | | - | (48) | (48) |
| Capital contribution | | 300 | - | 300 |
| **30 June 2025** | | 11,277 | (8,826) | 2,451 |

The accompanying notes and accounting policies form an integral part of these audited financial statements.

**Dunedin Venues Management Limited**
**Statement of Financial Position**
**As at 30 June 2026**

| | Note | 2026 $'000 | 2025 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | | 4,465 | 2,330 |
| Trade and other receivables | 7 | 2,023 | 1,451 |
| Contract Assets | 3(b) | - | 126 |
| **Total Current Assets** | | 6,488 | 3,907 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 10 | 2,528 | 2,648 |
| Right of use assets | 9 | 3,301 | 3,959 |
| Net deferred tax | 11 | 1,230 | 1,235 |
| **Total Non-Current Assets** | | 7,060 | 7,842 |
| **TOTAL ASSETS** | | 13,548 | 11,749 |
| **Current Liabilities** | | | |
| Trade and other payables | 8 | 1,135 | 1,063 |
| Contract liabilities / Income in advance | 3(b) | 2,691 | 1,575 |
| Employee entitlements | | 138 | 135 |
| Lease liabilities | 9 | 821 | 784 |
| **Total Current Liabilities** | | 4,785 | 3,556 |
| **Non-Current Liabilities** | | | |
| Contract liabilities / Income in advance | 3(b) | 2,579 | 1,191 |
| Lease liabilities | 9 | 3,729 | 4,551 |
| **Total Non-Current Liabilities** | | 6,309 | 5,742 |
| **Equity** | | | |
| Share capital | 6 | 11,277 | 11,277 |
| Retained deficits | | (8,823) | (8,826) |
| **Total Equity** | | 2,454 | 2,451 |
| **TOTAL EQUITY AND LIABILITIES** | | 13,548 | 11,749 |

For and on behalf of the Directors

Lee Piper
Chairperson

Adam La Hood
Director

9 September 2026

The accompanying notes and accounting policies form an integral part of these audited financial statements.

**Dunedin Venues Management Limited**
**Statement of Cashflows**
**For the Year Ended 30 June 2026**

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| **Cashflows from Operating activities** | | |
| *Cash was provided from* | | |
| Receipts from customers | 13,948 | 10,863 |
| Interest received | 124 | 143 |
| Net GST received | - | 126 |
| | 14,072 | 11,132 |
| *Cash was disbursed to* | | |
| Payments to suppliers and employees | 10,580 | 10,152 |
| Net GST paid | 60 | - |
| | 10,640 | 10,152 |
| **Net Cashflow from Operating activities** | 3,433 | 980 |
| **Cashflows from Investing activities** | | |
| *Cash was provided from* | | |
| Sale of property, plant and equipment | 24 | - |
| *Cash was distributed to* | | |
| Purchase of property, plant and equipment | 304 | 606 |
| **Net Cashflow from Investing activities** | (280) | (606) |
| **Cashflows from Financing activities** | | |
| *Cash was provided from* | | |
| Shareholder capital | - | 300 |
| | - | 300 |
| *Cash was disbursed to* | | |
| Repayment of finance lease | 784 | 748 |
| Interest paid | 232 | 268 |
| | 1,016 | 1,016 |
| **Net Cashflow from Financing activities** | (1,016) | (716) |
| Net Increase/(Decrease) in Cash and Cash equivalents | 2,136 | (342) |
| Opening Cash and Cash equivalents | 2,330 | 2,673 |
| Closing Cash and Cash equivalents | 4,465 | 2,330 |
| **Composition of Cash and Cash equivalents** | | |
| Bank current account | 65 | 130 |
| Deposit/(overdraft) accounts | 4,400 | 2,200 |
| **Cash and Cash Equivalents at the end of the year** | 4,465 | 2,330 |

Cash and short-term deposits comprise cash held by the Company and short-term deposits.
The carrying amount of these assets approximates their fair value.

The accompanying notes and accounting policies form an integral part of these audited financial statements.

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

**1 REPORTING ENTITY**

The financial statements presented here are for the reporting entity Dunedin Venues Management Limited (the Company).

The Company is a Council Controlled Trading Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is owned by Dunedin City Holdings Limited.

The financial statements of the Company are for the year ended 30 June 2026.

The registered address of the Company is 130 Anzac Avenue, Dunedin.

The primary objective of the Company is to ensure the successful operation of Forsyth Barr Stadium and the Dunedin Centre (a multi-purpose entertainment, conference and events hub including the Dunedin Town Hall and the Glenroy Auditorium). The Company is the central hub for premier events and entertainment in Dunedin.

**Statement of Compliance**

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, the Companies Act 1993, and in accordance with NZ GAAP. For the purpose of complying with NZ GAAP, the Company is a for-profit entity. These financial statements comply with New Zealand equivalents to International Financial Reporting Standards (Reduced Disclosure Regime).

The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). The Company qualifies for NZ IFRS (RDR) as it does not have public accountability and it is not a large for-profit public sector entity. The Company has elected to apply NZ IFRS (RDR) applicable to a Tier 2 for profit entity, and has applied disclosure concessions.

The financial statements were authorised for issue by the Directors on 9 September 2026.

**Basis of Preparation**

The financial statements have been prepared on an historic cost basis.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates. The financial statements are recorded to the nearest ($'000).

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2026 and the comparative information for the year ended 30 June 2025.

The financial statements have been prepared on a going-concern basis. In making this assessment, the Board considered the Company's current financial position, forecast cash flows for at least 12 months from the date the financial statements are authorised for issue, available liquidity facilities, and reasonably foreseeable operational risks.

The forecast is dependent on the delivery of the anticipated events programme, continued event-attraction funding from Dunedin City Council, and receipt of forecast subvention payments from other Dunedin City Holdings Limited group companies.

Having considered these matters, including the letter of support provided by the shareholder, the Board has a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

**2 MATERIAL ACCOUNTING POLICIES**

**Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Sales of goods are recognised when material risks and rewards of owning the goods are transferred to the buyer, when the revenue can be measured reliably and when management effectively ceases involvement or control.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**Membership and Sponsorship Revenue**

The terms of memberships, corporate box licenses, signage and sponsorship agreements range from one year to ten years. Payment for these items, where invoiced, has been received and recorded as income received in advance. This income is amortised as revenue on a straight-line basis over the term of the agreement.

**Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. Commitments and contingencies are disclosed exclusive of GST.

**Critical Accounting Judgements, Estimates and Assumptions**

In preparing these financial statements the Company has made judgements, estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated.

The critical accounting judgements, estimates and assumptions of the Company are contained within the policies.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise of deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

**Income Received in Advance**

Income received in advance represents the unexpired portion of Membership and Sponsorship revenue at balance date and income relating to future events not recognised in the Statement of Comprehensive Income. Income received in advance is carried forward in the Statement of Financial Position.

**Government Grants**

The Company received an Event Attraction Grant and Community Access Grant from the Dunedin City Council during the reporting period. The Event Attraction Grant allows the Company to bid for major events, bringing economic benefit into the city, while the Community Access Grant is to facilitate community groups accessing Forsyth Barr Stadium and the Dunedin Centre.

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**Changes in Accounting Policies**

There have been no changes in the company's accounting policies since the date of the last audited financial statements. Accounting policies have been applied consistently to all years presented in these financial statements.

**Standards amended or issued during the year**

During the period, there were no new or amended accounting standards which materially affected the Company or its reporting.

**3 REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Company enters into revenue contracts with customers, significant performance obligations can include venue hire, event management, provision of exclusive rights, provision of Forsyth Barr Stadium memberships and facilities management.

**3(a) Disaggregation of revenue from contracts with customers**
Revenue is derived from the transfer of goods and services over time and at a point in time as follows:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Timing of revenue recognition: | | |
| At a point in time | 3,974 | 3,496 |
| Over time | 6,319 | 6,500 |
| | 10,293 | 9,996 |

**3(b) Assets and liabilities related to contracts with customers**
The Company has recognised the following assets and liabilities related to contracts with customers:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Current assets | - | 126 |
| Contract assets | - | 126 |

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Current liabilities | 2,691 | 1,575 |
| Non-current liabilities | 2,579 | 1,191 |
| Contract liabilities - Income in Advance | 5,270 | 2,766 |

*(i) Significant changes in contract assets and liabilities*
There are no significant changes in contract assets and liabilities.

*(ii) Revenue recognised in relation to contract liabilities*
All revenue related to carried-forward contract liabilities for short-term contracts were satisfied in this current year; the relevant portion of revenue on any long-term contracts carried over from the prior year(s) has been recognised in this period, and the remaining liabilities treated as Income in Advance if invoiced; no revenue is recognised for long-term contracts past 30 June 2026, where an invoice has not been generated.

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

**3 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)**

*(iii) Unsatisfied long-term contracts*
All unsatisfied performance obligations resulting from fixed-price long-term commercial rights contracts which have been invoiced have been treated as Income in Advance and recognised on a monthly basis. Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 30 June 2026 will be recognised during the next reporting period. Income included in the financial statements for long term contracts past the next reporting period total $2,556k (2025: $1,174k).

*(iv) Assets recognised from costs to fulfil a contract*
There are no assets recognised from costs to fulfil any contract.

| | 2026 | 2025 |
|---|---|---|
| **3(c) Reconciliation to total revenue** | **$'000** | **$'000** |
| Contracts with customers | 10,293 | 9,996 |
| Government grants | 1,504 | 1,150 |
| Leases | 425 | 432 |
| Other Revenue | 0 | 9 |
| Interest | 119 | 130 |
| | 12,341 | 11,718 |

**3(d) Operating lease commitments as lessor**
The Company has multiple lease agreements in place for car parks, office space and telecommunicaitons equipment within the Forsyth Barr Stadium precinct. At balance date the Company had the expected receipts:

| | 2026 | 2025 |
|---|---|---|
| | **$'000** | **$'000** |
| Rent receivable within one year | 374 | 357 |
| Rent receivable between one to five years | 339 | 509 |
| Rent receivable later than five years | 108 | 85 |
| | 821 | 951 |

**3(e) Critical accounting judgements, estimates and assumptions**
Significant judgement is required when determining variable consideration to be included in the transaction price associated with revenue contracts.

**4 OPERATING EXPENSES**

| | 2026 | 2025 |
|---|---|---|
| | **$'000** | **$'000** |
| Other operating expenses | 7,960 | 7,489 |
| Audit fees - for audit of financial statements | 106 | 103 |
| Bad debts | 7 | 2 |
| Directors fees | 130 | 112 |
| Salaries and wages | 2,838 | 2,752 |
| | 11,041 | 10,458 |

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

## 5 INCOME TAXES

**Accounting Policy**

Income tax expense includes components relating to both current and deferred tax.

The tax currently payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| **Income Tax Recognised in Comprehensive Income** | | |
| Profit/(Loss) for the year before taxation | 8 | (67) |
| Income tax expense calculated at 28% (2025: 28%) | 2 | (19) |
| *Tax effect of following adjustments* | | |
| Non-deductible expenses | 2 | (1) |
| Prior period adjustments | 1 | 1 |
| Tax effect of differences | 3 | - |
| Tax expense | 5 | (19) |
| Effective tax rate | 63% | 28% |
| Represented by: | | |
| Current tax provision | - | - |
| Deferred tax provision | 4 | (20) |
| Prior period adjustment to deferred tax | 1 | 1 |
| | 5 | (19) |

## 6 EQUITY - SHARE CAPITAL

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| **Called and Fully Paid Up Capital** | | |
| 11,277,065 fully paid ordinary shares (2025: 11,277,065) | 11,277 | 11,277 |

11,800,000 shares have been issued to Dunedin City Holdings Limited at $1 per share. At 30 June 2026, 11,277,065 (2025: 11,277,065) of these shares had been called and fully paid.

Fully paid ordinary shares carry one vote per share; carry a right to dividends and, upon winding up, a pro rata share of the Company's net assets.

## 7 TRADE AND OTHER RECEIVABLES

**Accounting Policy**

Trade and other receivables are stated at cost less any allowances for estimated irrecoverable amounts.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Trade and other receivables | 1,658 | 1,231 |
| Expected credit losses | (4) | (6) |
| Prepayments | 369 | 226 |
| | 2,023 | 1,451 |

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

## 8 TRADE AND OTHER PAYABLES

**Accounting Policy**
Trade and other payables are stated at amortised cost.

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Trade payables | 818 | 517 |
| Accrued payables | 313 | 482 |
| GST payable | 4 | 64 |
| | 1,135 | 1,063 |

## 9 RIGHT OF USE ASSET AND LEASE LIABILITY

The right of use asset is recognised at the present value of future lease payments, depreciated straight line over the term of the lease. The Company's depreciation rates on the right of use assets have a range of 6% - 20% (2025: 6% - 20%), depending on the length of the lease. The lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied is 4.66% (2025: 4.66%).

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Right of use assets: | | |
| Opening Balance | 3,959 | 4,617 |
| Additions | - | - |
| Depreciation | (658) | (658) |
| | 3,301 | 3,959 |
| Lease Liabilities | | |
| Opening Balance | 5,334 | 6,083 |
| Additions | - | - |
| Payments - Property | (770) | (735) |
| Payments - Plant & Equipment | (4) | (3) |
| Payments - Vehicles | (10) | (10) |
| | 4,551 | 5,334 |
| Classified as: | | |
| Less than one year | 821 | 784 |
| One to five years | 3,646 | 3,496 |
| More than five years | 83 | 1,054 |
| Lease liabilities recognised as at 30 June | 4,551 | 5,334 |

**Low Value Leases**
Low value leases have been identified and are exempt from recognition under IFRS 16. Low value lease expenses are $2k annually (2025: $2k).

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

**9 RIGHT OF USE ASSET AND LEASE LIABILITY (CONTINUED)**

**Critical accounting judgements, estimations and assumptions**

**Forsyth Barr Stadium Lease**

The Forsyth Barr Stadium lease expires in 2031. The lease includes a right of renewal clause for two 20 year periods which, if exercised, would extend the lease under current terms to 2071. In determining the accounting treatment of the Forsyth Barr Stadium lease relating to IFRS 16, the Board have assessed there are a number of factors that need consideration before it can be reasonably certain it will exercise its option to renew the lease under the current terms of the contract. Therefore the Right of Use Asset and Lease Liability have been calculated based on the lease terminating in 2031. If the Company was required to include the two renewal periods, the effect would have been to increase the ROU asset by $10.3m (2025: $10.1m) and the Lease Liability by $14.3m (2025: $13.7m). The impact on the reported before tax profit would be a decrease in profit of $309k (2025: $279k increase in loss).

When reviewing whether the carrying amount of the right of use asset is impaired, the Company follows the same assessment process as that set out in note 10 below. Changes to assumptions relating to the pre-tax discount rate and number of events held at Forsyth Bar Stadium, have the potential to cause a material adjustment to the carrying value of the right of use asset.

A +/- 1% movement in the calculated discount rate will increase/(decrease) the carrying value of the right of use asset by ($135k)/$141k.
A +/- 10% movement in the estimated future projected cashflow will increase/(decrease) the carrying value of the right of use asset by $595k/($595k).

**10 PROPERTY, PLANT AND EQUIPMENT**

**Accounting Policy**

Property, plant and equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment is stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets on a straight line basis. Rates used have been calculated to allocate the assets cost or valuation less estimated residual value over their estimated remaining useful lives.

Depreciation of these assets commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Assets held under finance leases are depreciated.

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

**10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Depreciation rates and methods used are as follows:

| | *Rate* | *Method* |
|---|---|---|
| Leasehold alterations | 2% - 21% | Straight line |
| Furniture and fittings | 6% - 18% | Straight line |
| Office equipment | 9% - 71% | Straight line |
| Stadium equipment | 3% - 71% | Straight line |

**Critical accounting judgements, estimations and assumptions**

**Impairment of Assets**

At each balance date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised as income.

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

**10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

| 2026 | Leasehold Alterations | Furniture & Fittings | Office Equipment | Stadium Equipment | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost or Valuation** | | | | | |
| Balance at beginning of year | 570 | 473 | 263 | 4,783 | 6,089 |
| Additions | - | 110 | 140 | 33 | 283 |
| Disposals | - | - | - | - | - |
| Impairment | - | - | - | - | - |
| Balance at end of year | 570 | 583 | 403 | 4,816 | 6,372 |
| **Accumulated depreciation** | | | | | |
| Balance at beginning of year | 295 | 390 | 232 | 2,524 | 3,441 |
| Depreciation | 40 | 29 | 32 | 302 | 403 |
| Disposals | - | - | - | - | - |
| Impairment | - | - | - | - | - |
| | 335 | 419 | 264 | 2,826 | 3,844 |
| Balance at end of year | 235 | 164 | 139 | 1,990 | 2,528 |

| 2025 | Leasehold Alterations | Furniture & Fittings | Office Equipment | Stadium Equipment | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost or Valuation** | | | | | |
| Balance at beginning of year | 528 | 474 | 247 | 4,820 | 6,069 |
| Additions | 42 | - | 16 | 218 | 276 |
| Disposals | - | - | - | (24) | (24) |
| Impairment | - | (1) | - | (231) | (232) |
| Balance at end of year | 570 | 473 | 263 | 4,783 | 6,089 |
| **Accumulated depreciation** | | | | | |
| Balance at beginning of year | 254 | 360 | 211 | 2,448 | 3,273 |
| Depreciation | 41 | 31 | 21 | 313 | 406 |
| Disposals | - | - | - | (6) | (6) |
| Impairment | - | (1) | - | (231) | (232) |
| | 295 | 390 | 232 | 2,524 | 3,441 |
| Balance at end of year | 275 | 83 | 31 | 2,259 | 2,648 |

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

**11 DEFERRED TAX**

**Accounting Policy**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

**Critical accounting judgements, estimations and assumptions**

**Recognition of Deferred Tax Asset**

A deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised.

At 30 June 2026, the Company has recognised a deferred tax asset of $1,230,000 (2025: $1,235,000). $992,000 (2025: $878,000) of this relates to unused tax losses. The Directors deem it probable that the Company will have taxable profits against which the unused tax losses or unused tax credits can be utilised before they expire. The Directors have reached this conclusion after reviewing the Company's 5 year forecasts, confirming a taxable profit over this period that will utilise approximately 36% of the deferred tax losses. The Directors consider this to be acceptable progress in utilising deferred tax losses and deem it probable that further losses will be utilised in future financial years, beyond this five year period. The Directors therefore deem it appropriate for the deferred tax asset relating to the losses, to be recognised.

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

## 11 DEFERRED TAX (CONTINUED)

| | 2026 $'000 | 2026 $'000 | 2026 $'000 | 2026 $'000 | 2026 $'000 | 2026 $'000 |
|---|---|---|---|---|---|---|
| | Opening Balance Sheet | Charged to Income | Charged to Equity | Closing Balance Sheet Assets | Liabilities | Net |
| Property, plant and equipment | (21) | (50) | - | - | (71) | (71) |
| Employee entitlements | 27 | 5 | - | 32 | - | 32 |
| Provisions and adjustments | (34) | (38) | - | - | (72) | (72) |
| IFRS 16 Leases | 385 | (35) | - | 350 | - | 350 |
| Tax losses | 878 | 114 | - | 992 | - | 992 |
| | 1,235 | (5) | - | 1,374 | (144) | 1,230 |

| | 2025 $'000 | 2025 $'000 | 2025 $'000 | 2025 $'000 | 2025 $'000 | 2025 $'000 |
|---|---|---|---|---|---|---|
| | Opening Balance Sheet | Charged to Income | Charged to Equity | Closing Balance Sheet Assets | Liabilities | Net |
| Property, plant and equipment | 52 | (73) | - | - | (21) | (21) |
| Employee entitlements | 46 | (19) | - | 27 | - | 27 |
| Provisions and adjustments | (39) | 5 | - | - | (34) | (34) |
| IFRS 16 Leases | 410 | (25) | - | 385 | - | 385 |
| Hedging Instruments | - | - | - | - | - | - |
| Tax losses | 746 | 132 | - | 878 | - | 878 |
| | 1,215 | 20 | - | 1,290 | (55) | 1,235 |

## 12 CAPITAL EXPENDITURE COMMITMENTS

The Company had capital expenditure commitments of $Nil at year end (2025: $Nil).

## 13 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at year end (2025: $Nil).

## 14 FINANCIAL INSTRUMENTS

**Accounting Policy**

**Financial Instruments**
Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

**Financial Liability and Equity**
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

**14 FINANCIAL INSTRUMENTS (CONTINUED)**

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| **Categories of Financial Instruments** | | |
| **Financial Assets** | | |
| Trade and other receivables | 2,023 | 1,451 |
| Less: | | |
| Prepayments | 369 | 226 |
| Loans and receivables | 1,654 | 1,225 |
| **Financial Liabilities** | | |
| Trade and other payables | 1,135 | 1,063 |
| Less: | | |
| GST payable | 4 | 64 |
| Lease liabilities | 4,551 | 5,334 |
| Financial liabilities at amortised cost | 5,682 | 6,333 |

All financial assets and liabilities are recognised at amortised cost.

**15 RELATED PARTY TRANSACTIONS**

The Company is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

The Company undertakes transactions with the Dunedin City Council and other Dunedin City Council controlled entities.

**Transactions with Dunedin City Council:**

The Company provided services and traded with Dunedin City Council in respect of the following transactions:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Rates, property rentals and other charges | (779) | (773) |
| Revenue from property/event management and contribution from Event Attraction Fund | 3,533 | 1,873 |
| | 2,754 | 1,100 |
| *As at balance date:* | | |
| Payable to Dunedin City Council | (11) | (64) |
| Receivable from Dunedin City Council | 89 | 81 |

The lease between the Company and Dunedin City Council for the Dunedin Centre remains unsigned due to a dispute over the ownership of certain assets. The lease is cancellable by the Company, having given 20 working day notice. In the event of cancellation, the Company will be liable for certain make good costs. These costs have not been quantified.

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

**15 RELATED PARTY TRANSACTIONS (CONTINUED)**

**Transactions with Dunedin City Council Controlled Entities:**

The Company provided services and traded with Dunedin City Council controlled entities in respect of the following transactions:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| **Dunedin City Treasury Limited** | | |
| Interest received | 75 | 110 |
| | 75 | 110 |
| *As at balance date:* | | |
| Receivable from Dunedin City Treasury Limited: | 15 | 20 |
| Deposit with Dunedin City Treasury Limited | 4,400 | 2,200 |
| **Dunedin City Holdings Limited** | | |
| Revenue from event management | 1 | 3 |
| Expense oncharges | 9 | - |
| | 10 | 3 |
| *As at balance date:* | | |
| Receivable from Dunedin City Holdings Limited: | - | 1 |
| **Dunedin Stadium Property Limited** | | |
| Management fee and reimbursements | 1,802 | 1,341 |
| Lease payments | (1,000) | (1,000) |
| | 802 | 341 |
| *As at balance date:* | | |
| Receivable from Dunedin Stadium Property Limited: | 919 | 270 |
| **Dunedin Railways Limited** | | |
| Management fee and expense oncharges | 60 | 132 |
| | 60 | 132 |
| *As at balance date:* | | |
| Receivable from Dunedin Railways Limited: | 3 | 8 |
| **Delta Utility Services Limited** | | |
| Turf management fee and expense oncharges | (138) | (131) |
| | (138) | (131) |
| *As at balance date:* | | |
| Payable to Delta Utility Services Limited: | (13) | (12) |

**Dunedin Venues Management Limited**
**Notes to the Financial Statements**
**For the Year Ended 30 June 2026**

**15 RELATED PARTY TRANSACTIONS (CONTINUED)**

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| **Dunedin International Airport Ltd** | | |
| Revenue from membership and associated services | 15 | 16 |
| | 15 | 16 |
| *As at balance date:* | | |
| Receivable from Dunedin International Airport Limited: | 2 | 1 |
| **Aurora Energy** | | |
| Revenue from event management | 27 | 1 |
| | 27 | 1 |
| *As at balance date:* | | |
| Receivable from Aurora Energy Limited: | 1 | 1 |

In relation to the 2026 year, there is not expected to be any transfer of tax losses to other entities in the DCC Group (2025: $Nil).

No related party debts have been written off or forgiven during the year and no provision has been required for impairment of any receivables to related parties.

Transactions with companies in which key management personnel have an interest and with close members of the family of key management personnel (amounts to the nearest $1,000):

During the course of the year:

- Cook Brothers Group Ltd, of which Adam La Hood is the Chief Financial Officer, purchased eight OCR Memberships for $14,000 and services of $9,000 (2025: $16,000). No amounts (2025: $Nil) were outstanding at balance date.
- Central Otago District Council, of which Dylan Rushbrook is the Director of Regional Deals, purchased services of $6,000 (2025: $11,000). No amounts (2025: $Nil) were outstanding at balance date.
- Lee Piper was engaged to provide interim management services for $4,000 (2025: Nil). $4,000 (2025: $Nil) was outstanding at balance date.

The remuneration of Directors and other members of key management during the year was as follows:

| | 2026 $'000 | 2025 $'000 |
|---|---|---|
| Key management remuneration | 1,257 | 1,196 |

**16 EVENTS AFTER BALANCE DATE**

Subsequent to balance date, Phil King has been appointed CEO of the Company. Phil commences in his new role on 14th September 2026. There have been no other significant events subsequent to balance date.

**Dunedin Venues Management Limited**
**Statement of Service Performance**
**For the Year Ended 30 June 2026**

| Performance Targets | Achievements |
|---|---|
| **Safety and Compliance** | |
| An Incident Frequency Rate Events (IFRE) of less than 0.05% of the total number of event attendees across all venues. | Achieved - The Incident Frequency Rate was 0.024% of the total number of people attending events at the venues for the reporting period. |
| Total Incident Rate (TIR) of less than 6 incidents per 200,000 hours worked. | Achieved - The Total Incident Rate was 3.4 incidents per 200,000 hours worked. |
| Total Recordable Incidents (TRI) of less than 3. | Achieved - There was one Total Recordable Incident for the reporting period. |
| Lost Time Incident (LTI) of less than 2. | Achieved - The Lost Time Incident rate was zero for the reporting period. |
| Lost Time Incident Frequency Rate (LTIFR) less than 17 per 1,000,000 hours worked. | Achieved - The Lost Time Incident Frequency Rate was zero for the reporting period. |
| Forsyth Barr Stadium maintains a current Building Warrant of Fitness (BWOF). | Achieved - Forsyth Barr Stadium held a BWOF certificate for the reporting period. |
| **Marketing and Business Objectives** | |
| Achieve a 75% retention rate of member renewals by contract value. | Not achieved - Membership renewals by contract value was 66% for the reporting period. |
| Contract 50 new Membership seats for the year to 30 June 2026. | Achieved - 61 new Membership seats were contracted during the reporting period. |
| Achieve 85% ratepayer satisfaction with Forsyth Barr Stadium in the Dunedin City Council's Residents' Opinion Survey. | Achieved - The Dunedin Residents Survey reports 86% satisfaction for respondents who have used Forsyth Barr Stadium. |
| Hold a minimum of 50 commercial and community events at Forsyth Barr Stadium. | Achieved - there were 72 commercial and community events held at Forsyth Barr Stadium during the reporting period. |
| A minimum of $5m visitor marginal direct spend for Dunedin City per each major event which uses Event Attraction Funding. | The Visitor Marginal Direct Spend for major events in the year to 30 June 2026 as determined by an independent economist were as follows: |

| **Event** | **Marginal Direct Spend ($,000)** |
|---|---|
| All Blacks v France | 13,200 |
| Hot Wheels Monster Trucks Live ™ | 5,940 |
| **Total** | **19,140** |

**Dunedin Venues Management Limited**
**Statement of Service Performance**
**For the Year Ended 30 June 2026**

| Performance Targets | Achievements |
|---|---|
| **Marketing and Business Objectives** | |
| Achieve minimum 80% satisfaction rating through surveys of all major* events (>10,000 pax). | Not achieved.<br>Satisfaction and attendance numbers for major events in the year to 30 June 2026 were:<br>**Event** — **Satisfaction**<br>All Blacks v France — 95%<br>Hot Wheels Monster Trucks Live ™ — 66%<br><br>Satisfaction ratings for All Blacks events are generally impacted by the quality of the opposition and the result. A 31-27 win against France contributed to high satisfaction levels, alongside the quality of the event execution. Satisfaction levels for Hot Wheels Monster Trucks Live™ were impacted by the noise levels of the show.<br><br>* Major events for this performance target are those which utilise the Event Attraction Fund. |
| **Environment and Sustainability** | |
| Continue progress towards achieving the FY2030 targets outlined in the Emissions Reduction Action Plan. | Achieved - FY2026 targets have been completed. |
| Continue progress towards achieving the FY2030 targets outlined in the Waste Reduction Action Plan. | Achieved - FY2026 targets have been completed. |
| Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report. | Measures are reported on pages 10 - 13 of the Annual Report. |
| Continue to work with the DCC to eliminate the serving of drinks in single use cups at DVML venues by the end of 2025. | The Company continues to work with the DCC on eliminating single use cups. It is noted that for some events, it is a health & safety requirement of the Promoter that opened top vessels are used. |
| Report to the Dunedin City Council on the application of the Service Level Agreement for Community Event Funding to ensure it caters to a variety of events and community groups. | Achieved - All reporting requirements have been met. |
| **Human Resources** | |
| At least 80% of staff are satisfied with working at DVML, as indicated in the annual staff survey. | Not achieved. The satisfaction result from the annual staff survey was 76% of staff either agreed or strongly agreed they were overall satisfied with their experience working at the Company, while 26% were neutral. |
| All direct employee's are paid the living wage, or more. | Achieved - all direct employee's are paid the living wage, or more. |

**Dunedin Venues Management Limited**
**Statement of Service Performance**
**For the Year Ended 30 June 2026**

| Performance Targets | Achievements |
|---|---|
| **Financial** | |
| Achievement against forecasted Statement of Intent results are as follows: | |

| | Actual $'000 | Target $'000 |
|---|---|---|
| EBITDA | 1,300 | 1,872 |
| Net Profit/(Loss) after Tax | 3 | 392 |
| Cashflow from Operations | 3,433 | 2,285 |
| Capital Expenditure | 283 | 370 |
| Term Borrowings | - | - |
| Shareholder Funds | 2,454 | 2,848 |
| Shareholder Funds to Total Assets | 0.18 : 1 | 0.25 : 1 |
| Dividend/Subvention Distributions | - | - |

| | |
|---|---|
| Achieve a 15:1 Return On Investment (ROI) of the Event Attraction Fund (EAF). ROI is achieved and calculated by Visitor Marginal Direct Spend against the level of EAF investment for the major event. | The return on investment of the Event Attraction Fund in the year to 30 June 2026: |

| Event | Return |
|---|---|
| All Blacks v France | 26 : 1 |
| Hot Wheels Monster Trucks Live ™ | 21 : 1 |
| **Total** | **24 : 1** |

| | |
|---|---|
| **Shareholder** | |
| Matters which may or could conflict have been escalated to the Shareholder. | There were no matters, where there may be conflict between the Dunedin City Holdings Limited outcomes, that required escalation to the Shareholder. |
| Report to Dunedin City Holdings Limited within 24 hours of the Board becoming aware of substantive matters which have the potential to negatively impact on the Shareholder and DVML with a particular focus on matters of interest to the media. | There were no matters, which had the potential to negatively impact on the Shareholder and the Company, that were required to be reported to Dunedin City Holdings Limited. |

The Audit Office
Te Mana Arotake

**Independent Auditor's Report**

**To the readers of Dunedin Venues Management Limited's financial statements and performance information for the year ended 30 June 2026**

The Auditor-General is the auditor of Dunedin Venues Management Limited (the Company). The Auditor-General has appointed me, Jenna Hills, using the staff and resources of The Audit Office, to carry out the audit of the financial statements and performance information on his behalf.

## Opinion

We have audited:

- the financial statements of the Company that comprise the statement of financial position as at 30 June 2026, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, and the notes to the financial statements that include material accounting policy information and other explanatory information on pages 14 to 31; and
- the performance information that consists of the statement of service performance for the year ended 30 June 2026 on pages 32 to 34.

In our opinion:

- the financial statements of the Company present fairly, in all material respects, its financial position as at 30 June 2026 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures adopted for the year ended 30 June 2026, and has been prepared, in all material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime. The Board of Directors is also responsible for preparing the performance information contained in the statement of service performance of the Company in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

### Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and performance information.

For the budget information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the Company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We evaluate the overall presentation, structure and content of the performance information, including the disclosures, and assess whether the performance information achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives in its statement of intent.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### Other information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and the performance information consisting of the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Independence

We are independent of the Company in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Company.

Jenna Hills
The Audit Office
On behalf of the Auditor-General
Dunedin, New Zealand
9 September 2026